

# ***JPRS Report***

# **Soviet Union**

## ***Economic Affairs***

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# Soviet Union Economic Affairs

JPRS-UEA-91-043

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29 NOVEMBER 1991

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Long-Term Stabilization Plan Developed

924A0202A Moscow DELOVOY MIR in Russian  
31 Oct 91 p 3

[Interview with Boris Milner, deputy director of the Institute of Economics of the USSR Academy of Sciences and professor, by DELOVOY MIR economics correspondent Leonid Lopatnikov; date and place not specified: "What About Tomorrow?"]

[Text] In the article entitled "Academician Leonid Abalkin: A Delay May Mean Death" [see the 25 September issue of DELOVOY MIR], mention is made of the draft agreement on joint actions for stabilizing the economy, as developed recently in the Institute of Economics of the USSR Academy of Sciences. Is this still one more alternative to the Treaty for Economic Cooperation or to the plans of Shatalin and Granberg with Saburov? Are there not too many of these documents being produced? Such were the questions which our economic correspondent Leonid Lopatnikov addressed to the deputy director of the institute, Professor Boris Milner, who directed this work.

"By no means," objected the professor. "In all probability, you will recall that in the Treaty for Economic Cooperation, which is based upon Yavlinskiy's plan and which was also published in DELOVOY MIR, mention was made of the need for preparing a number of additional and definitive agreements: on the status of those institutes involved in the creation of economic cooperation, on the movement of capital and securities, on the regulation of mutual responsibilities, and others. Conduct your own count—25 agreements must be concluded. Thus, we maintain that one of them was omitted—there must be 26. Only the 26th should be moved to first place, since urgent measures will be included for the last two months of this year and for 1992. Thus our plan should by no means be considered as on a par with Yavlinskiy's plan or Shatalin's concept. We based our thinking upon the fact that when the economic agreement was finally adopted, and fortunately this has already occurred, one particular question would arise: "What about tomorrow?" The economy is threatened with catastrophe and we have been given perhaps only several months. And for tomorrow the country needs a suitable situation and a decision with regard to the urgent measures already agreed upon. If you wish, this is a type of zero cycle for any contract or agreement, regardless of its type. In essence, it is an attempt to prepare a program for economic survival. It must consist of stern measures."

[Lopatnikov] Moreover, it would appear that a proposal is being made here to deviate from certain arrangements already agreed upon. And is it your opinion that the republics have already agreed to this?

[Milner] Yes, this is our belief—in the face of the impending catastrophe, the republics will be forced voluntarily to suppress temporarily their own legal and recognized rights. Temporarily they will have to resort to those measures which will allow them to survive. Only through joint efforts will it be possible to extricate ourselves from the situation in which we now find ourselves.

Here we employed the principle of minimum sufficiency. That is, only those measures deemed to be mandatory and inevitable have been selected. This principle places special emphasis upon the temporary nature of the document. I repeat once again: this is not a program for converting over to the market, but rather a program of market and non-market coordinated measures for our mutual survival. For example, a temporary rejection of customs is certainly an administrative measure. But it is needed, regardless of how unpopular its approval might be. It must be recognized that almost all of the administrative measures here serve to abrogate everything that was recently accomplished in a hasty manner.

[Lopatnikov] But the Ukraine has declared that they are closing their borders expressly for the purpose of survival.

[Milner] Experience reveals that this is not the path to survival. The economic interrelationships between the USSR republics are substantially more intensive than those existing between YeES [European Economic Community] countries. Our inter-republic exchange constitutes 20.5 percent of our gross national product, compared to 16 percent for the YeES. Through the removal of barriers, they expect to obtain an additional 5-10 percent of the VNP [gross national product]. Do we have the right to reject this opportunity?

[Lopatnikov] Theoretically, this is all well known and yet they will tell you: when we begin to live as they do, we will open our borders.

[Milner] We are victims of centralized planning and its inherent monopolism. Both in thought and actions. The chief concern at the present time is to avoid a collapse. I agree with the words of Academician Abalkin, as cited in DELOVOY MIR: a delay may mean death! Thus we developed this plan.

**From the Editorial Board:** A protocol to the Concept of Economic Cooperation, developed under the direction of Academician Shatalin and similar in terms of the goal but differing substantially in terms of its content, has already been published in DELOVOY MIR (Issue No. 221 of 2 October). In addition, certain statutes set forth in the plan of the USSR Institute of Economics have also found a place in the agreement concluded in Moscow on 18 October. But it is time today to select, protect and utilize any healthy thought deemed capable of helping to extricate our country from this crisis. Those who are interested in the plan can turn to the Institute of Economics.

**Presidential Business Council Deplores Delay in Privatization**

*924A0198A Moscow DELOVOY MIR in Russian  
31 Oct 91 p 1*

[Statement of USSR Presidential Business Council, no date given]

[Text] The Presidential Business Council of the USSR expresses its deep concern about the obvious obstruction of the privatizing of state and municipal property on the part of a significant portion of the organs of management and executive power.

The normal development of business and the emergence of new market structures cannot be successful if, for entrepreneurs, the real right of ownership and disposition of the means of production, land, and fixed assets are restricted, as before, to only the very unstable right of leasing.

The huge volume of money which is not secured by a volume of goods can and must be balanced by state property. The planned price liberalization is fraught with catastrophic consequences, if in the process a significant part of the unsecured money volume is not drawn to the acquisition of nontraditional goods. Such a liberalization most probably will lead to collapse of the financial system of the government. A large number of military and civil enterprises unneeded by the economy, which absorb huge quantities of labor, financial resources, and raw materials, are artificially supported by the government and are being brought to a condition where their privatization is becoming pointless.

Without the privatization of land, without the transfer to citizens of the real right to own land and its fruits, it is impossible to solve the problem of food self-sufficiency for the country.

The arguments for inadequate legislation or the necessity to develop and adopt new normative laws in the area of privatization are groundless and serve only as a cover for inaction or, worse, selfish actions.

It is no secret that a process of "quiet" privatization by the nomenklatura is going on; in the process the property created by the labor of many generations is being handed out, and in fact plundered, by the state apparatus.

The USSR Presidential Business Council is convinced that market transformations in the economy are impossible without the involvement of broad layers of the populace in the privatization process and without the sale of state and municipal property to each citizen who desires it. This is the only path of entry into the market, turning a totalitarian society into a civil one, turning a society of slaves deprived of the right of property into a society of citizens who possess inalienable human rights.

We are sincerely puzzled by the passivity of government and management organs at all levels towards the issues

of privatization, which provokes social tension and further worsening of the economic situation of the country.

The USSR Presidential Business Council appeals to the President of the USSR, to the presidents and chairmen of the Supreme Councils of the sovereign states and republics, to the mayors of Moscow and St. Petersburg, to the leaders of executive authority in the krays, oblasts and cities, calling upon them to show governmental wisdom and immediately begin real privatization of state property, thereby opening up the way to economic transformations. We reserve the right, in the event the organs of authority and management do not take decisive measures to sell property to everyone who desires it, to inform the general public of our attitude towards leaders who are obstructing the privatization process, who are restraining radical changes in the economy and hindering the development of production strength, who are trying to preserve the wobbly but still totalitarian system.

**'All-Union Economic Society' Profiled**

*924A0203A Moscow DELOVOY MIR in Russian  
31 Oct 91 p 3*

[Article: "All-Union Economic Society"]

[Text] We are continuing the concept of the organizers of the international forum entitled "International Experience and the USSR Economy." Today we are discussing the All-Union Economic Society.

The All-Union Economic Society is a non-governmental organization that numbers among its ranks economist-scientists, practical economists and the leaders of various branches of production.

The society consists of 500,000 individual members and approximately 10,000 collective members. They represent practically all of the trends of the economic science and all branches of the national economy.

The society carries out its work through administrations that are found in all of the country's large cities and regions.

The chief goal of the society is to combine the efforts of the Soviet scientists in the interest of implementing the tasks of the economic reforms, converting over to the new managerial forms and methods and providing economic training for the broad masses of Soviet people.

The society utilizes its considerable intellectual potential—the strengths of its scientists and production leaders—for realizing its stated goals. Such eminent scientists as Academician L. Abakin, A. Aganbegyan and S. Shatalin are participating actively in the society's work. At the present time, Professor G. Popov, the mayor of Moscow, is performing the duties of the president of the VEO [All-Union Economic Society].

The society maintains extensive contacts with various foreign organizations, firms and banks and it strives to acquaint foreign business people with the potential of the Soviet market and the peculiarities of the Soviet economy. In addition, it organizes contacts with Soviet partners and furnishes the necessary assistance and support.

The society publishes such popular magazines as: EKONOMICHESKOYE OBOZRENIYE [Economic Review], MENEDZHER [Manager] and BIZNES I BANKI [Business and Banks]. The society possesses considerable experience in organizing symposiums, conferences and seminars, both in the USSR and abroad. As a rule, eminent representatives of the Soviet economic science and the leaders of our country's economic departments participate in these events.

One example of such collaboration with foreign partners was the recent series of "Moscow Weekend" meetings, in which the leaders of large-scale West European firms participated. This included, for example, such firms as "Fiat," "British Tobacco," "British Aerospace" and others. The result of these meetings was the signing of a large-scale mutually profitable agreement.

On a commercial basis, the society furnishes marketing and consulting services to foreign firms in the development of the Soviet market and in searching for profitable Soviet partners.

Foreign universities and companies that are participating in the development of economic collaboration with the USSR are collective topics for the VEO.

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**Committee for Establishing Economic Society Organized**

924A0204A Moscow DELOVOY MIR in Russian  
31 Oct 91 p 3

[Article: "Business People: 'The Intergovernmental Economic Society Is A Reality'"

[Text] For the first time in the country's history, an intergovernmental (inter-republic) organizational committee for the establishment of an economic society has been created on a horizontal basis.

As already reported in DM [DELOVOY MIR], an expanded session of an orgkomitet [organizational committee] for the establishment of an MES [intergovernmental economic society] was held in Moscow. Parliamentarians, representatives of various state organs and enterprises, social organizations and business circles and

also scientist-economists from the country's republics and regions, all participated in the work of this committee. Observers from Georgia and the Baltic states were also in attendance. All of them noted unanimously that an economic union of republics, as an intergovernmental sphere, must be developed along the lines of an international organization. The society can only be created on the basis of agreement and equality among the republics. A document was adopted in accordance with the results of the session.

Summary document of the expanded session of the orgkomitet for establishing an Intergovernmental [inter-republic] Economic Society [MES].

The participants in the session approved the concept for the agreement covering the establishment of the MES. The concept is based upon equal relationships among the business circles of state organs and at the same time it opens up basically new opportunities for emerging from an economic crisis.

The participants agreed upon the following:

1. To create an Intergovernmental [inter-republic] Orgkomitet for the establishment of an Intergovernmental [inter-republic] Economic Society [MES]. The orgkomitet is created for the purpose of revising the draft agreement on the establishment of an MES prior to 15 October 1991 and for making preparations for holding a constituent conference in November 1991.

The Orgkomitet is open for participation by all those who believe in the [MES] concept.

2. To form a temporary MES secretariat for planning and coordinating the work of the orgkomitet and for holding consultations with the parliaments, state organs and enterprises, business circles and scientific and social organizations. The secretariat is tasked with systematically informing the mass media on the course of preparations for the Constituent Conference.

3. To establish an MES fund for financing the work of the Intergovernmental [inter-republic] Orgkomitet and the temporary secretariat.

The participants in the session addressed a request to the parliaments and governments, political parties and social organizations, business circles, labor collectives and citizens asking them to support the initiative underlying the creation of the MES as a basically new form for economic collaboration.

We asked Viktor Savranskiy, president of the Russian Ecological Union, director of the Sovinpredinterservis Joint-Stock Company and Doctor of Economic Sciences: "MES Concept Approved," to summarize the results of the meeting. The participants, based upon equality relationships among the business circles, state organs and any economic structures, are creating an innovation and opening up new opportunities. This will enable business people to participate actively in a unique professional union, the principle of which is corporative operations.

Regardless of the republic or region in which an individual lives, in order to carry out his work successfully, realize a profit and produce goods, he will have to purchase raw materials. In short, everyone needs contacts and these for all practical purposes have been destroyed at the present time. Credit-financing operations are at the edge of ruin. And the government, instead of constructive actions for developing and finding methods for uniting the industrialists, is creating new structures such as the Inter-republic Economic Committee. Together with the business people, we wish to find an economic expanse which will be independent of any "flare-ups," be they coups or new "pyramids" created by incomprehensible decrees.

A 60-percent tax—is this really possible with economic ruin? Under normal and not rapacious conditions, a businessman invests more funds than this tax in charity. He will build and produce better goods and more rapidly than state structures. He will attract a foreign investor. We believe in the MES concept and consider it to be a breakthrough. Quite possibly, this is the result of non-recognition, a lack of understanding or mistrust. But we know that the MES addresses the needs of the people and their desire to be well-fed, clothed and have all of the blessings of civilization at their disposal.

Our correspondent turned to Vladimir Vakhaniya, chairman of the Intergovernmental [inter-republic] Orgkomitet for Improving the MES and head of the MES temporary secretariat:

[Correspondent] Vladimir Vissarionovich, our newspaper has already published an interview with you concerning the concept behind the creation of the MES. An article has appeared on the pages of the newspaper MOSKOVSKIYE NOVOSTI [Moscow News] in which it is stated that the "Soyuz-B" Corporation, of which you are the president, received 200 million rubles from the Administration of Affairs of the CC CPSU. And clearly should not this money, as the author of the article subtly noted, be paid to someone or handled in some other manner?

[Vakhaniya] The "Soyuz B" Corporation was created for the purpose of implementing those programs associated with the MES. And only for this purpose. But the implementation of such a plan requires considerable funds. Thus we commenced our own commercial operations. Indeed, the money must be earned. Later we came to understand that these funds were not enough. In March and April of this year, we began looking for places where loans could be obtained. We went to the UD [Administration of Affairs] of the CC CPSU. Following lengthy negotiations, an agreement was signed in connection with the financing of our programs. This was in July, at a time when commercial operations by the CPSU were not forbidden by law.

[Correspondent] And where are these funds today?

[Vakhaniya] They have been deposited in our bank account for the financing of the MES. We have a

six-percent loan for six months. Thus we will repay the obligation to the rightful successor of the CC CPSU. It should be added that the author of the article in MN [MOSKOVSKOYE NOVOSTI; Moscow News] refused to acquaint himself with the documents which they wished to present to him in the "Soyuz V" Corporation. It bears mentioning that the business people, and there were more than 200 of them, were very pleased with the "communist" Oktyabrskaya Hotel, where the meeting was held. Moreover, the author served the party press (KOMMUNIST magazine and PRAVDA newspaper) faithfully for many years and was highly praised for his commentaries by the high party bosses. And suddenly there was hatred for the communists. This was truly a brilliant representative of an ancient profession.

Candidate of Legal Sciences and senior legal advisor L. Anisimov comments upon the agreement between the "Soyuz V" Corporation and the UD of the CC CPSU:

[Anisimov] In conformity with the mentioned agreement, the parties involved reached agreement concerning joint activities with regard to implementing the program for the International Economic Society, the International Trade Center and also the production-commercial programs. In the context of mutual obligations, the Administration of Affairs undertook the obligation of providing credit to the corporation in the amount of 200 million rubles.

In Article 1 of the "Law Governing Ownership in the USSR," a social organization, similar to any other owner, has the authority to possess, use and dispose of property within the limits established by law. In addition and in conformity with Article 102 of the RSFSR GK [Civil Code], social organizations possess, use and dispose of property in conformity with the regulations (statutes). Moreover, it is implied that such disposal belongs exclusively to the owners themselves.

With the adoption of the "Law Governing Ownership in the USSR," an important step was taken towards developing legal support for the work of social organizations. In addition to an instruction regarding the fact that these organizations, including the CPSU, can own the property needed for solving official tasks, the law also contained rather specific statutes covering the objects of ownership and the organizational-economic activities of these organizations.

The agreement signed in July of this year is not in conflict with existing legislation and is considered to be legal.

Recently, another expanded session of the MES orgkomitet was held in the "Kosmos" Hotel. Here the participants adopted such documents as the Agreement on the Creation of an International Economic Society and the Statute on the International Trade Center of MES. Today the temporary secretariat of the MES, which is a legal entity, is making preparations for the constituent conference.

**Volskiy Details Work of Science and Industry Union**  
**924A0207A Moscow PRAVITELSTVENNYY VESTNIK**  
*in Russian No 34, Aug 91 pp 6-7*

[Interview with Arkadiy Ivanovich Volskiy, President of the USSR Science and Industry Union, by G. Lomanov: "Real Independence and Equal Rights and Opportunities"]

[Text] A. Volskiy, President of the USSR Science and Industry Union, answers the questions of our correspondent, G. Lomanov.

[Lomanov] It is known that the NPS [Science and Industry Union] unites one and a half thousand enterprises and about 40 associations which, in turn, represent thousands of plants and factories. But the purpose of this union, I am sure, is not known to the broad readership.

[Volskiy] Let's recall how our Union was born. A year ago a science and industry group of USSR people's deputies published in the press an appeal to all the country's workers. Its essence was simple—since the situation in the economy is becoming graver, a consolidation of all those who are participating in the production process is necessary. This concerns the creation of an organization which could somehow compensate for the breakup of state structures—for in 1990 the "vertical line" of management was practically destroyed. The classical scheme of "Council of Ministers, ministry, main administration, and plant director" no longer was at work, at least because many ministries had been eliminated and the remaining functions were altered appreciably.

Here is an illustration from machinebuilding, where I worked for many years: at the start there were 13 ministries, then there were 11, then nine, and, finally, only two were left. Moreover, even enterprises began to leave ministry structures—one, such as, for example, KamAZ [Kama Motor-Vehicle Plant], which was converted into a joint-stock company, and others have created concerns and associations. And by the time of the deputies' appeal to the country, there were already more than 300 new structures in operation. It is no accident that at the first congress of directors, one of them expressed it, perhaps rather coarsely, but then on the other hand, vividly: "After destruction of the ministries, we have felt like a dog who has lost his master. There remains one out of two things to do: either howl at the moon in solitude, or huddle together with the pack." I think that he expressed precisely the mood of economic supervisors—not by accident, after the deputy's appeal more than 11,000 telegrams arrived from enterprises thirsting for association.

And right away problems arose: to unite only state enterprises or to involve also other forms of ownership? To organize a union of associations or to establish individual membership? To accept small enterprises or

not? There were many questions—all were brought to the constituent congress in June last year. It was attended by 602 delegates from various industrial structures. A decision was adopted—not to draw distinctions, since different forms of ownership had been announced for the country, but to unite all who were engaged in material production.

Associations of state and joint enterprises and unions of cooperatives, lessees, and entrepreneurs joined the NPS. And the word "scientific" in the name arose because we decided to annex a number of large academic institutes. Unfortunately, this sphere of the NPS is still less busy than we would like. The reason, I think, is clear: the enterprises do not have enough funds to plug up even the most gaping holes that science would tackle.

[Lomanov] The NPS is our "invention" of necessity, stimulated by changes in the national economy's control system, or are there also such unions in other countries?

[Volskiy] They exist in practically every developed country. And before being registered, we studied the charters of similar unions of 12 states. What do you think—which turned out to be the most suitable?

[Lomanov] The American? Hardly.... Apparently, the German or Japanese.

[Volskiy] The Russian. The charter of the Russian Union of Industrialists, which was formed in 1895 and existed until 1918.

[Lomanov] And was reborn 73 years later?

[Volskiy] It can be thought of that way. We took its charter as a basis because it considered the specifics of Russia—a multinationality state that occupied a vast space and did not have good roads or a developed infrastructure. This determination even today suits us completely, with certain refinements. The Russian Union of Industrialists took advantage of the greatest authority in the state, it had strong positions in the State Duma, it participated in the creation of legislation, and it had an influence on the tsar's family. Major Russian industrialists were in charge—incidentally, one of the first leaders of the union was the well-known mining engineer Volskiy....

[Lomanov] Your forefather?

[Volskiy] No, just the same family name.

[Lomanov] Well, then, we shall not search for symbolic parallels. But all the same, how did you become president? For wide fame has come to you as a political figure—I have in mind your mission to Nagornyy Karabakh.

[Volskiy] I had just returned from there and received some fairly interesting proposals. One of them—to take charge of the Science and Industry Union, which had been born—came from a group of directors of large

plants who knew me primarily as an economic supervisor. I confess that I did some vacillating, but I nevertheless agreed—the job is new, and it is not necessary to speak about its importance. It touched me very much when all 602 delegates unanimously voted for my candidacy—such an attitude was inspiring.

[Lomanov] Arkadiy Ivanovich, what, nevertheless, are the NPS's functions—control, coordination, representation?

[Volskiy] Our main task is to defend the interests of industrial circles in legislative and executive organs. Indeed, NPS members are making 65 percent of all the country's output. We have our own "lobby"—in the best sense of this word. These are 69 of the deputies of the Union parliament—the science and industry group of the USSR Supreme Soviet. But our "lobby" is not engaged in arranging for laws favorable for specific enterprises, as happens in the West: it defends the interests of all industry. And many laws that regulate its activity, thanks to the support of the deputy group, are passed more easily than some other legislative enactments.

Possibly we are not carrying out our tasks in ideal fashion. In part this is explained by the NPS's rather complicated structure. Within the union there are associations for professional interests—for example, an instrument-makers' union. There are also regional structures—republic unions of the Ukraine and Belorussia, and Tajikistan and Georgia. Russia has created about 10 similar industrial associations—and they also have become NPS members, they receive all the necessary information from us, and they participate in our work.

[Lomanov] Certainly a simpler and more austere structure could have been created?

[Volskiy] Undoubtedly. But consider it, the current one reflects extremely precisely the economic and political processes that are occurring in the country. We have already held two congresses of directors, and do you know what pleases me? The fact that representatives of all the republics—and I emphasize, not nine, but 15—participated in them. We are trying to arrange those mutual relationships with them that will enable a single economic space to be created in the country.

[Lomanov] This is surprising—industrialists always are distinguished by a sober view of things. They have no time for meetings, work must be done.

[Volskiy] That is completely true. Moreover, industrial circles today, in my view, are the sole realistic force capable of consolidating society. Therefore we are actively working with the regional structures. The main goal, I repeat, is the fight for an All-Union market.

[Lomanov] Sometimes the NPS is called an offspring of the military-industrial complex—is this so? And again—many are disturbed that you are located in the building

of the CPSU's Moscow Gorkom. The question arises: who really controls the NPS?

[Volskiy] An offspring of the VPK [military-industrial complex]? These, to put it mildly, are unconscionable rumors. They are being spread by people who are striving to discredit not only the NPS but any constructive activity aimed at the rebirth and not the downfall of the country. The logic of some statements is simply astonishing—they say that directors of military-industry enterprises will buy them under privatization and form a new Mafia. And since the Science and Industry Union unites precisely those enterprises, that means that Volskiy represents the Mafia. In the first place, we are not distinguishing very well between denationalization and privatization. It is no sin that some "publicists" should take a look at the law, "The Basic Origins of Denationalization and Privatization of Enterprises"—precise definitions are given there. In the second place, tell me, who would take it into his head to privatize the Baykonur spaceport or, let's say, Uralmash. I would not want even to argue this—such talk verges on the absurd. Believe me, we make no distinctions among our members, be they a state defense enterprise, a joint-stock company, or a cooperative. The main thing for us is to help everyone who takes part in the material production process, to see to it that the production of output increases and that its quality and competitiveness in the domestic and the world market rise.

Now about the building. We leased it from the MGK [Moscow City Committee] after the gorkom staff was cut in half. I know that there were also other applicants—apparently the NPS proved to be the best established. But the rental costs a kopeck, so we are planning to build our own building. The talk that the CPSU controls the Science and Industry Union also is no more than idle fantasy. There has been no support of any kind from party structures, either when the union was being organized or later. Moreover, certain CPSU Central Committee workers have expressed opposition to its creation. And not one of the Central Committee secretaries has called during the year and none has been interested in how we operate. Judge for yourself how substantiated are the assertions that Volskiy, they say, is a "secret" department manager of the CPSU Central Committee.

[Lomanov] The real power at a time of economic ruination is in the hands of the producers, and they consist precisely of the NPS. Does the union participate in the development of political decisions or is it engaged only in economic activity? What is more, is it possible that ruination, in our time, when the crisis is purely economic, is to a great extent the consequence of political processes?

[Volskiy] Yes, we participate in the development of decisions and we do not conceal that fact. Why conceal it? Only corrupted structures operate secret levers of power, we act by parliamentary methods. The NPS has prepared a large number of drafts of legislation. Parliament adopted the law on entrepreneurship, thanks to our

"lobby," on first reading, although there were no few complicated formulations—about private ownership and hired labor. I can note: when the NPS does not participate in the preparation of legislative drafts, they usually pass in parliament under protest. Let us say that we did not have a position on the draft of a law about privatization and that, I suppose, is one of the reasons that it was discussed six times—up until now, some of our proposals still have not been included in the draft.

We cannot help but participate in politics, because the economy has become involved in the political struggle. Indeed, because of the war of laws and the battle for sovereignty, economic ties are being severed. As a result, in half a year we have lost 10 percent of our gross national product, and for the year we can lose 17 percent. How can we be outside politics—it is always closely tied with the economy, and even more so right now in our country. And so we shall not participate in ideological stadiums; the NPS is an organization from which ideology has been removed, and this has been strengthened by our charter.

[Lomanov] Despite some stabilization, the magnitude of decline in production remains substantial. One of the main causes that we have named in our interview is reduction in the importation of raw materials and of equipment for outfitting. What is your prognosis: shall we succeed in getting a restoration of the amount of imports or in replacing them with domestic resources? The task is not simple, for in light industry and the food industry about 40 percent of the worn and obsolete equipment must be replaced, and approximately half of it has been updated through imports. Shall we succeed in reviving branches that work for the people's welfare or does further degradation await them?

[Volskiy] I would take a look at the problem in a wider manner. The decline in production was stimulated not only by a reduction of import shipments. One can name at least four causes, and first place must go to the destruction of internal economic ties and the breakdown of the country's financial system. A second negative factor which struck sharply at our country's economy, but which until now has been shamefully hushed up is the disruption of mutual relationships with former CEMA member countries. One could talk about this for a long time but, because of the shortage of time and space, I shall recall the most important: indeed, CEMA called for international cooperation and specialization of production. Now there is none of this, and trade has been reduced to zero.

The decision about mutual settlements in foreign currency was at least poorly thought through—neither we nor the East European countries have foreign exchange. And if some enterprises do have it, it is more profitable to buy that same output in the West—for the East European countries still have not achieved the world level of quality. Was it necessary to convert to trade at average world prices? It is doubtful. Obviously, we had hoped to start earning on the sale of oil and gas, and this

would have been correct if we had not lost on other output. The result is well-known—a sharp drop in trade turnover with former CEMA partners and a catastrophic situation at those production entities which cannot operate without deliveries from Eastern Europe. Here is just one figure—because of the lack of shipments from the former GDR alone, 114 of our plants are idle. Indeed this country has bought about 56,000 machine tools and presses. And now assume that a sealing ring on a press has been broken. The enterprise cannot get the spare apart now, and that means the press does not operate. And if, for example, it is a key link in the manufacturing chain, the whole plant stops working. That is the way we live. Recently the government decided to try to return to barter and clearing settlements. This can only be welcomed, but do not forget how much has been lost already as a result of hasty decisions.

In third place among the main causes of today's reduced production is the lack of foreign exchange for buying imported raw materials, equipment, and outfitting equipment, about which we have already spoken. And, finally, the fourth cause—an echo of the miners' strikes that has resounded at machinebuilding enterprises. There is no coal, nor is there metal. At one time the plants held out on the basis of a manufacturing backlog, but indeed reserves are not eternal. And right now affairs are going directly according to the saying, "They did some calculating, and they shed some tears." For example, ZIL [Moscow Motor-Vehicle Plant imeni I. A. Likhachev] apparently will produce about 40,000 fewer vehicles this year. And these are dump trucks and milk carriers, concrete carriers and fire trucks—these are examples of how the strikes impacted on the whole country, on the actual standard of living of the whole population, including the miners themselves.

Well, and the question of whether we shall be able to restore industry that works for the welfare of the individual, you will agree, is, in part, rhetorical. If we do not manage, our whole life will be senseless. We are simply obligated to do this. And here everyone, including the Union government, must act more decisively. It still seems to me that the work of the USSR Cabinet of Ministers to a great extent has been paralyzed by sovereignty of the republics. We must search for a way out of this dead end. Incidentally, talks about creating an interrepublican economic committee have been going on now for about two years, but we still do not have it. In my opinion, such a structure must be established quickly. The capital needs an organization that would unite plenipotentiary representatives of the republics and would be able to conclude agreements about specific joint actions without delay. The economy is still moving not toward a market that is common for the country, but, alas, in the opposite direction: the republics are introducing customhouses and are restricting exports of output. And, as a result, enormous harm is being inflicted on the national economy as a whole, and also on those republics which are vigorously fencing themselves off from their neighbors with various barriers.

[Lomanov] In the opinion of many economists, the current decline is marked not by a temporary or short-lived but by a structural nature. There is first of all a hypertrophied sector that produces raw materials for energy, which requires more than half of the production investment on the one hand, and, on the other, technologically lagging "final product" facilities—the consumer industries and machinebuilding for civilian needs. Their lagging stimulates an excessive demand for power, raw materials, and building materials. Do you see a way out of this situation? What are we to do, how shall we reorient a "self-consuming" economy?

[Volskiy] The question is a most serious one, it cannot be answered in two words. I will note only one thing—of course, we must change our production structure, but it would be naive to suppose that this can be done in a very short time. Market structures can be created in two or three years, but to turn around a large cumbersome object which possesses enormous inertia? Such a reorientation will require not just a year—as a minimum, a period comparable with the life of a whole generation. It is easy to say "reorient." But what is actually needed for this? To create a multitude of competing enterprises with the most modern technologies. It is a task of decades.

[Lomanov] The economy's structural imbalance is worsened by the fact that the military-industrial complex concentrated the overwhelming part of the country's scientific and engineering potential, and it absorbed a mass of high-quality resources. Can we count on real results from a conversion which still has not been felt in any way, although we have been speaking about reorientation of the "defenders" now for more than a year?

[Volskiy] The situation of the defense complex is extraordinarily difficult right now. And we have no right to forget that the best equipment and most modern technologies were concentrated in these branches of industry. Talented scientists and excellent engineers work there, as did the elite of the working class. For many years the country gave the "defenders" all of the best. Times have changed, the political climate on the planet has warmed up, and the opposition of the two military and political blocks have disappeared into the past. But this does not at all mean that now we can mindlessly squander this splendid scientific, engineering, and industrial potential.

And to switch it onto peaceful tracks is not so simple. Those who assert that this can be done for next to nothing are either sincerely mistaken or are speculating. This is nonsense—yesterday a plant was making rockets, today it begins to produce, for example, washing machines. Other machine tools, different tooling and metals, and so on are required.

The conversion experience of strongly militarized Japan and postwar Germany testify that it is impossible without large capital investment. The United States directed large investment to the implementation of conversion programs. But we want to obtain civilian output

at defense enterprises free? We must look the truth in the eye—it will not happen. According to our experts' estimates, conversion will require about eight billion rubles per year. And we must not be frightened by this figure. The expenditures will be repaid by that guarantee of the high potential of the defense branches and by the specialists, who need no explanation of how to produce science-intensive output on the basis of the most modern technologies. They must be helped. I am convinced that foreign credits, if they appear, must be used to activate the conversions.

[Lomanov] We have criticized the anticrisis program for the fact that it has not been correlated with political realities and interrepublic economic agreements. I would like you to develop this thought in greater detail.

[Volskiy] I repeat: our economy has turned out to be a hostage to politics. This will not seem to be original, but I would begin work on the Union Treaty....not with the treaty itself but with economic agreements. And not even with interrepublic agreements. I had to conclude a general agreement of all 15 republics in the name of creating a single market. I was confident that the republics would go for this, and then conclusion of the Union Treaty would be less difficult. I should have begun to develop such an agreement about two years ago, but, I suppose, even right now it is still not too late. The NPS supports contacts with the leaders of the republics, including those who have declared their withdrawal from the USSR—all of them have agreed that we must have a single economic space, a common market, and, consequently, also an All-Union economic agreement.

[Lomanov] How do you view the resubordination of enterprises—from Union to republic subordination, and there, take a look, also to local subordination? The golden era of the repeatedly declared independence of producers—has it ever arrived, or was it fated for a long time to remain small change in the political struggle?

[Volskiy] We have, of course, hypertrophied state ownership incredibly—its share is 82 percent. When we began perestroika, only about four percent of state property belonged to the republics and to local soviets. By 1990 the share of municipal and republic ownership was now almost 40 percent, and by the end of this year it will grow to about 60 percent. So what: has the situation improved? Are commodities more abundant? Of course not. Incidentally, what is bad is not that the enterprises are being transferred to republic or oblast subordination but that this process is proceeding haphazardly, it has become uncontrolled. And this opens up wide possibilities for "wild" privatization. But indeed it is not a matter of to whom an enterprise is subordinated—the center, the republic, the oblast, or the city. It is important that the producer be free in his actions, for what is the sense of one "dictator" being replaced by another? What matters is, will the enterprise begin to work better? And that's all.

It is not worthwhile to feed the illusion that we can get along entirely without state enterprises. In Italy, for example, they comprise about a third of the industrial potential. And it works excellently. Our state enterprises will operate no worse if normal market relationships are created. But if we occupy ourselves only with resubordinating plants and factories, nothing will have changed.

[Lomanov] At the recent meeting of the Prime Minister with the leaders of state enterprises, questions were asked about creating conditions that are more suitable for the enterprises, or at least conditions equal to those of small enterprises and cooperatives. What do you think of this idea?

[Volskiy] I vote "yes" for both techniques. In the draft of the law about the bases for entrepreneurship, we deliberately wrote in it that the director of a state enterprise that operates under contract is an entrepreneur. Enterprises with different forms of ownership should have equal rights juridically and economically.

[Lomanov] We have a multitude of unprofitable enterprises, all of them receiving subsidies and tax advantages. But...as V. Visotskiy sang: "Where grudges are found everywhere, it means there is unemployment." Joking aside, how many enterprises are threatened with ruination if they are not supported?

[Volskiy] Let's start from the fact that right now 11 percent of the enterprises are unprofitable. Is this many or few? I do not see a problem here—if they enter the market and raise prices for their output, then they will stop being unprofitable. I understand that this can intensify inflation, but this is another matter. I simply want to remark: in our current circumstances, the unprofitable enterprise is an extremely arbitrary concept. And so when we transfer to the market, I am afraid, they can become unprofitable and not just 11 percent, but four out of five enterprises will go broke—they will not withstand competition. Therefore it is necessary to speak not about today's unprofitable enterprises but about those which are operating on antediluvian equipment, which use old-fashioned technology, producing low-quality output. Bankruptcy awaits them under market relationships.

It is apparent that we must operate the way that certain East European countries are operating right now—declare bargaining for such enterprises. In Czechoslovakia each resident is issued coupons—one-third above earnings. With these coupons, a kind of equivalent of money, a person can take part in bargaining for an enterprise. Let us assume that joint-stockholders have bought it for coupons—right away they are motivated toward the results of production activity. They are real proprietors, owners, and they know that in two years they will have to return, from profit, the funds that were issued to them in coupons. Personally, such a system impresses me very much, it strongly stimulates entrepreneurial activity. One way or another, we shall also have

to announce bargaining for unprofitable enterprises. I emphasize bargaining, not auctions.

[Lomanov] The future is not very reassuring. Let us return from it to our unstable present. If you would establish for enterprises clear and precise "rules of the game," what would you write in them primarily?

[Volskiy] Real independence, equal rights, and equal opportunities. These are the three "whales" on which stably developing production should stand.

#### Bogomolov Views Reform Prospects

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[Interview with Academician O. Bogomolov, director of the Institute for International Economic and Political Studies of the USSR Academy of Sciences, by TRUD correspondent N. Nadezhina; place and date not given: "Do We Have a Chance?"]

[Text]

[Nadezhina] Currently, the main event in our life is the address by President of Russia B. Yeltsin to the people and the parliament, and the future new economic course for the country. You, Oleg Timofeyevich, are a member of the president's consultative council. Tell us how the draft of this reform was developed?

[Bogomolov] I would not look at the president's address to the people as a rendition of a draft for the reforms. It is an important political statement, an expression of a firm will to act—and to act immediately because life no longer permits us to wait. It is an appeal to the people for support, because ahead of us are difficult trials: Any radical market reform involves a certain period of hardship. And, finally, and this is also very important, it is Yeltsin's willingness, as president of Russia, to take upon himself all the responsibility, and at the same time all the power, for the period of conducting radical economic reforms. A number of republics are already expressing their reluctance to join the economic community, and this makes its future rather problematic. I think that Russia has taken the right course: In case of failure to reach an economic agreement, go it alone. When it succeeds, this will be the main argument in favor of convincing others to follow, to cooperate with it, and to establish close interaction with the largest republic.

As to the plan for the reforms, it is in the development stage. Yeltsin's address does not contain the details of how one measure or another will be implemented, and in what order. It is still likely to become the subject of discussions, arguments, and debates in the press. I fully support and agree with the main directions of Yeltsin's course toward radical and speedy reforms. As a specialist, I have some questions about the details, the sequence of steps, and the specific methods of implementing one step or another. It is possible that these details, even though they may not appear to be of

principal importance, in practice may predetermine the success or failure of the reforms.

[Nadezhina] The concrete plan for the reform is not available yet. Nevertheless, people read about it and started worrying. Naturally, the most worrisome aspect was the upcoming liberalization of prices. The editors are getting telephone calls, receiving letters. People ask: Will this not be a liberalization amounting of still empty store shelves?

[Bogomolov] Of course, the upcoming price liberalization was expected to upset people, especially after the April experiment. At that time, competent economists were already warning about the negative consequences of a price increase: a sharp decline in the standard of living and a powerful push toward inflation. Unfortunately, M. Gorbachev did not listen to this, and found a loyal executor to carry out his ideas in the person of Pavlov, who turned out to be an adventurist—and not only in economics...

At that time, the state in one fell swoop took 300 billion rubles [R] out of the population's pockets. I was even somewhat puzzled by how submissively this measure was accepted. A few strikes; protests in Minsk. And that was all... In response to unconcealed plunder. But this is what was seen on the surface. In reality, the people understood all the immorality of their rulers, and responded with the same plunder of state property and increased crime. What people mostly started to steal was working hours. Labor discipline and productivity fell sharply. These are the most dangerous moral consequences of the adventure.

That is why people are very wary and sensitive about future price increases. Many have run out of food reserves, do not have any money, and so many people realistically may find themselves on the verge of hunger. Moscow physicians are already saying that old sick people who are unable to stand in lines are quietly dying in their apartments. This is frightening.

This is not the time to look for culprits, although a collective responsibility rests on those who brought the country to the disaster. It is time to act. I doubt, though, that it will be correct to start with the simplest step, the liberalization of prices. Yes, a market demands that most prices be formed under the influence of supply and demand. However, a market economy is unimaginable without competition, without various enterprises competing with each other. In the situation of our super-monopolism, however, there is a danger that the monopolies will simply raise prices, while the volume of goods on the market does not increase. I think that the transition to a market should be implemented in a different sequence.

[Nadezhina] What kind?

[Bogomolov] First of all, harsh measures aimed at liquidating the budget deficit. We have to cut quite a number

of expense categories: defense, the bloated administrative apparatus, subsidies to unprofitable enterprises. We need to bring strict order into banking activities, stop uncontrolled emission, stop providing credit unless it can be backed up by real collateral.

The next step is privatization. A market will not emerge until the main values are brought into circulation: land, buildings, apartments, shares of enterprises, and means of production, which at this point are not saleable goods in our society. Only a decisive and well thought-out privatization can bring these valuables into circulation. By the way, privatization is a no less sensitive matter than prices. Prices are a matter of current consumption, while privatization deals with the property we own. Whether we have at least some property that can help us out in a difficult moment, or is each of us a pauper living only from paycheck to paycheck.

The third step is demonopolization. If we keep the monopoly to buy all agricultural production, what kind of a free market is it? Also in industry: How many monopolist enterprises do we have that simply do not have competitors? All of this needs to be changed; these structures need to be destroyed; and competing firms and enterprises need to get started.

Of course, it will not be possible to demonopolize everything at once. So the solution is to use the method used by other countries: liberalize imports. Then imported goods can serve as competition and keep prices down. For instance, a kolkhoz has surplus product. Right now one needs a license to export and to do this and that. So much of material value perishes because it cannot be exported, because there are artificial barriers. We are a rich country; we have things that are of interest to foreign buyers. But it is important that the money earned on exports came back to the country in the form of goods, rather than staying abroad. Right now, with half of earnings being expropriated, who will bring money in? This would not saturate the market, of course, but it would create at least a trickle. The monopoly will still be undermined.

Then, when we start to implement these measures, the time will come for price liberalization. But even then it should not be absolute. Prices on some goods of basic social necessity may stay controlled. The price on energy, for instance, must be realistic, but cannot be allowed to become uncontrollable. Because our energy producers are monopolists. In short, all of this needs to be well thought-out and weighed.

[Nadezhina] And to simultaneously raise salaries?

[Bogomolov] Unfortunately, this part of the program contains too much populism. The experience of other countries, particularly Poland, shows that when prices and salaries are liberalized simultaneously there is no way to get out of the inflation spiral. The result is: What the trade unions gain today, is eaten up by inflation tomorrow. This goes on until decisive steps are taken to somewhat restrict the growth of salaries.

If we want our money to finally become money, to have goods in the stores, and to create incentives to work and to earn money, we need a mutual understanding between the leadership and the labor collectives; we need to abandon populism and undertake harsh measures. Otherwise we will remain in the grip of barter, when you can get something done for a bottle of vodka, but cannot get anybody to lift a finger for R30 or 40. We need a mutual agreement, a social contract, as Western sociologists call it. The simultaneous liberalization of prices and salaries is a road to nowhere. We need to find a sensible solution. So that the people will be somehow protected from the chaos that may emerge, and demands for salary increases are put within some reasonable limits.

I want to emphasize this: a reasonable solution. So we should stop exhorting people to sacrifice more. There have been enough exhortations, and enough sacrifice. People have been pushed to the limit. There is nothing left to sacrifice. It is time to give something to the people. It is total nonsense, when in the richest country (and it remains the richest, which is why the sights of entrepreneurs from the entire world are pointed in its direction) the people are poor. They need to be given a share of wealth. We have been told for decades, for instance: personal automobiles are not needed, we are developing public transportation. So we do not leave anything in the salary for the purchase of an automobile; everything goes into public funds. We have been told: You do not need dachas, we are building resorts. Are there many who have used them? We have been persuaded: Why would you want to buy an apartment, you will get everything from the state, every family will have its own apartment before the end of the millennium. Where are they, these apartments? As a result, we only had enough salary to buy food and clothing and, perhaps, the most modest household items. We had nothing: no land, no house. Now they tell us: Buy it all. Your own, your property that according to the constitution belongs to all the people.

But there are only a few who will be able to buy. Those who managed to grab enough money through profiteering or in some other way. For instance, ordinary Muscovites are unable to buy their apartments today. We need to return something to the people. I think that all apartments should be given away free. Perhaps, with some payment involved for those who really did receive surplus space above any norms—those, for whom housing was built on the assumption of special conveniences.

But this is not all. There is a valuation of our wealth. In world prices, in hard currency. This figure is five, or perhaps 10 times larger than the entire purchasing capacity of the populace and enterprises. Divide half or 40 percent of this wealth among adults; give them a certificate for their share that they would be able to use to purchase a piece of land, or a dacha, or stock in an enterprise so as to receive at least some dividends. People need to be made property owners so that they can acquire some social confidence.

It is wrong to only take away. Because, in my opinion, the people's most likely reaction to unfair actions, if such are part of the Russian reform, will be not only riots, protests, and strikes, but also universal indifference, universal plundering of everything that is still no one's property, robbing each other. This would be horrible.

[Nadezhina] It looks as if we are facing another trying event—the introduction of a Russian currency. This will not be painless either, will it?

[Bogomolov] If the republics start to introduce their own currencies, Russia will have to do the same. Look at what is happening now. The rubles that are in circulation on the territories of the republics are already flooding Russia. People are trying to convert them into goods, at any price. Anything to save this money, because it is clear that it will be replaced anyway.

This is destroying the Russian economy. It means we have to act. We cannot wait, because goods are going by the train load from St. Petersburg to the Baltics, from the Stavropol region and Krasnodar to Georgia. Of course, the best solution would be to coordinate efforts during the transition to a market, and to realize the agreement on an economic community. But it seems to me that life is already overturning this. We have lost momentum; there is no confidence in the center, especially considering that it has not been completely reformed yet. The republics want to be independent. One can understand them. What kind of a state is it if it does not have control over its own currency and other levers of power?

In short, we have to look at it soberly: At this stage development will probably go this way. The republics must become independent states. They will enjoy their freedom, taste the fruits of this independence and sovereignty, and will only then come to understand the need for closer integration and preservation of those humanitarian, economic, and other ties that have formed over the centuries and which cannot be abolished, because they will sprout again, like grass through asphalt. Then they will approach reality in a more conscious way, will reach for integration and an economic community.

[Nadezhina] Let us go back to the life of an ordinary man, however. Even if he receives a certificate and is able to purchase stock or an apartment, he will not have more money tomorrow to buy a more expensive milk carton. How will families with many children, pensioners, and sick people live?

[Bogomolov] Of course, in the economic reform, it is necessary first of all to protect the weak and the needy. Because the most likely consequences of the price liberalization, even if it is well prepared, will be unemployment and decline in production. There is an unavoidable sequence at work here: Limited demand leads to shrinking production, the result of which is unemployment. This is the way it was in Poland and in the former GDR. Under these conditions, there should a well thought-out plan of action to protect the population. It is

not just unemployment benefits, but also free meals or providing shelter to the homeless.

The most important part, however, is to give people an opportunity to help themselves (start their own business to make a living), to support the development of entrepreneurship. In this respect, the most extensive field of activity opens in agriculture and in the service sector. Because this is where one can get a quick return. To do this, however, a rapid transition to new agrarian relations is needed. Land reform needs to be consistently implemented, as well as reform in the trade sector, in order to establish normal links between the cities and rural areas.

[Nadezhina] Should land be given away free?

[Bogomolov] I think there is no cut-and-dried answer here. First, only local authorities should dispose of land. There is a lot of land, given to kolkhozes and sovkhozes free and forever, that stands idle, neglected, not used properly. If a kolkhoz can afford it, it can buy it out or lease it. The same goes for farmers. By the way, to the young and promising who really want to work I would give land free, or charge a nominal fee. We are talking about cuts in military personnel—let us give officers land so they can settle down, build their own house, have a homestead.

Look—the northern part of Russia is empty: boarded up homes, overgrown fields. There is a lot of land, so give it to those who want to work. Perhaps, somewhere in Siberia, along the Baykal-Amur Railroad, land could be given away free and the people could be relieved from taxes for a while—settle down, work the land, feed yourself, just do not ruin the environment. We have already had all of this: Pioneers going to Siberia, sometimes risking their lives...

Millions of jobs may emerge in the service sector. All we need to do is support small enterprise. What is taking place right now is, unfortunately, alarming. Privatization of small service shops is beginning now. Some questionable persons show up, for instance, at a barber shop, look the building over, and say that if they buy it, there will no longer be a barber shop here and the personnel will be fired. What the newly-baked entrepreneur will be engaged in, nobody knows—perhaps there will be a warehouse here tomorrow. Meanwhile, we do need barber shops and cobbler shops. Would it not be better to give some preferences and advantages to those who currently work here? They will become owners, and then later there will be competition—let them fight for their survival, take responsibility on themselves.

[Nadezhina] The last question, if you permit. What is your prognosis? How much time will be needed for the new economic mechanism to work? To put it plainly—is there a chance?

[Bogomolov] Do we have a chance? I think, these are all difficult processes. After all, we have essentially stopped working. It takes time to change the psychology, to bring

out new incentives. I see only one way out of this freefall, which our economy and society are in now: a change in people's attitude toward work. Because all the credits and aid from the West may support us, but they will not save us. Only we can save ourselves. We have all we need to do this. The resources, sufficiently educated and skilled workers, and well-trained technical and scientific intelligentsia—people who can work with better output. Who can produce twice as much on the same land, at the same obsolete industrial enterprises. Later we will modernize and replace these production capacities, improve the land. But right now we have to work with what we have.

For the economy to start working, however, people need an incentive. This incentive is real money, which allows you to buy what you want—not only bread and sausage, but also an apartment, a piece of land, a shop, or stock in an enterprise. It is also a change in attitude toward property. Because when you cannot own property, you have no incentive to earn more, save money, purchase or improve something. Only when we get an opportunity to open our own business, leave property to our children—only then will there emerge powerful additional incentives for labor. This is where our salvation is.

#### Draft Law on Economic Amnesty Hit

924A0164A Moscow RABOCHAYA TRIBUNA  
in Russian 6 Nov 91 p 2

[Article by Natalya Kozlova: "Swindling With a Spelling Error, or for Whom the New Law Is Being Written?"]

[Text] The draft law of the USSR "On the Amnesty of Persons Convicted of Economic Crimes and Abuse of Official Position," the text of which came into the editors possession, misspells the word "swindling" throughout. But this is trifling! The important thing is that this long-awaited draft has finally been produced.

It is, of course, a matter for the specialists to analyze the law thoroughly and in its entirety. Nevertheless, it is worth even for a nonprofessional to point out certain provisions. Article 92 is summarily being excluded from the Criminal Code, albeit temporarily. It defines as a crime misappropriation, embezzlement, and theft by means of abuse. As I understand it, the new law is supposed to help entrepreneurship to flourish. What these articles have to do with an entrepreneur is not known. There is something else, however, that we learn from the text. It is easier to show it by an example. A worker stealing a box of booze worth several tens of rubles from his factory is subject to criminal charges. At the same time, a foreman or a director sending out boxcars of the same booze "on the side" is not liable at all under the new law.

The further we go, the more interesting it becomes. Bribery now becomes completely unpunishable. Extort as much as you want, and take as much as you can. For

instance, for "your own" business. Or for services. No responsibility. Is that not great? Only let us not forget for whom it is great.

I remember having to write sometime in the past about a certain post office manager. She used to, as they now say, "privatize" pensions of deceased or hospitalized pensioners. Although the pensions are not all that much, when you collect a little from many, quite a substantial sum accumulates. Under the new law her actions—theft by means of abuse—are not punishable. And this is not all. The money, which the manager had to return—not quite willingly—now belongs to her in its entirety. According to the draft of the new law. Just imagine how wonderful it looks: Not only is it prohibited to confiscate the money that does not belong to swindlers, but, on top of that, if by chance one such person had not been put in jail before the new law went into effect, the entire amount has to be returned. The law does not say anything, however, about apologies and a blue-edged platter. An oversight. It should also envisage the procedure for returning the money. Except, judging by everything, platters would not suffice anymore. The size of filched sums sometimes is so substantial that it may be a good time to start producing blue-edged boxcars.

Let us go on reading. Producing defective goods is no longer punishable now. Hurrah! Let a defective reactor explode, a shoddily made pipe burst—so what? Even death resulting from such defective products is not a reason for initiating criminal proceedings. So you and many others may have tried a certain food product and did not survive, or became disabled for the rest of your life—this does not bother anybody.

In general, the terminology of the law is quite strange. It uses only one term: "economic specialist." Frankly, I am put off by such terminology. The only place I had encountered it was in a zone. There, they used this language: a pickpocket, an economic specialist... But this is not even the main point. There is an attempt to almost completely remove from our law all (!) economic crimes. Ostensibly on a temporary basis at first. Although we know that the most permanent thing is the temporary one. What is there to say: Again, we have found ourselves "ahead of the entire planet." This is not an exaggeration. There, abroad, all services diligently protect the life and health of the consumer. We have poorly protected it in the past. Now we will not protect it at all. Americans, for instance, even have a term "commercial bribe." It weighs in quite heavy on the scales of justice. And the abuse of official position is punishable, too.

Generally such a massive assault on the entire chapter of our code inspires some contemplation. For whom, and in the interests of what group, will this law be passed if it goes through in its current form? I do not think that among the 10,000 prisoners subject to proposed amnesty the majority is comprised of exactly those people for whose sake we have been waiting for this law.

Something else. Amnesty means forgiving. The authors of the draft, however, propose to remove all convictions from amnestees' records. From all of them. En masse. What remains to do is to invite the author to the curtain. He deserves the applause.

### Decree on Radical Measures for Development of Business Proposed

924A0179A Moscow DELOVOY MIR in Russian  
22 Oct 91 p 3

[Decree on Radical Measures for the Development of Entrepreneurial Activity in the USSR]

[Text] This draft is based on materials of the conference of entrepreneurs with Yu. Luzhkov on 31 August 1991 and on proposals submitted by the USSR Union of United Cooperatives, the USSR Union of Lessees and Entrepreneurs, the USSR Association of Joint Enterprises, the USSR Union of Cooperatives and Entrepreneurs of the Construction Complex, the Moscow Union of Cooperatives, the Moscow Fund for Support for Small Entrepreneurship, Russia's Association of Peasant Farms and Agricultural Cooperatives, Russia's Association of Business Women, and a number of other associations and organizations of entrepreneurs.

The proposals are of a very radical nature and will require a serious change in legislation and a general revocation of the normative documents of departments at all levels and stepped-up work by specialists in various fields. Nevertheless, the unanimous opinion of the country's entrepreneurs and specialists participating in the preparation of this document boils down to the fact that half-measures and a partial change (revocation) in individual articles of laws, ukases, decrees, and so forth will not be able to seriously affect the stabilization of the economic situation and the development of entrepreneurship in the country.

The most general criteria during the preparation of decisions aimed at the country's economic normalization and development boiled down to the following:

1. Uniformity of adopted decisions for all territories and subjects of economic activity (except for free enterprise zones).
2. The maximum possible intelligibility and obviousness of decisions and their orientation toward common sense.
3. Overall nature and urgency of decision-making.
4. Strict state guarantees of the fulfillment of decisions and their stability for a certain period.

Under the conditions of destabilization of the country's economy, breakdown of traditional economic ties and managerial structures formed under conditions of the administrative command system, and a sharp decline in the population's standard of living the need to take urgent measures to create normal economic relations generally accepted in the world economy is put in the forefront.

Under the conditions that have arisen the creation of conditions for the development of entrepreneurship and private initiative is the only correct and quick way of meeting the population's demand and restoring the national economy.

However, the norms of existing legislation fetter normal economic activity.

For the purpose of bringing legal regulation into conformity with the requirements of new economic relations, the Committee on Operational Management of the National Economy DECREES:

As of \_\_\_\_\_ 1991 to revoke all legally binding acts, decrees, instructions, statutes, and other departmental documents pertaining to entrepreneurial activity.

Appropriate bodies of state power and administration of the USSR and the Union republics must prepare within the period until \_\_\_\_\_ 1991 drafts of normative acts revoking or changing existing legislation on the basis of the following main provisions:

#### 1. GENERAL PRINCIPLES OF ENTREPRENEURIAL ACTIVITY

1.1. The state limits its activity and powers to matters concerning the observance of legality, defense and security, tax regulation, strategic transport and communication, and so forth. In all other fields of economic activity it proclaims full freedom of entrepreneurship. The state creates priority conditions for the development of the agro-industrial complex, production of consumer goods, housing, and charitable activity.

1.2. Restrictions on entrepreneurial activity can be outlined only by laws, the tax system, requirements for the fulfillment of nature protection measures, and observance of sanitary and other similar norms.

1.3. To grant to collectives of enterprises and organizations, including all state enterprises and organizations, irrespective of the type of ownership, which are registered on the country's territory—hereinafter in the text, "enterprises"—the right to independently solve problems concerning the form of ownership of an enterprise, the quantity and list of produced products, forms and methods of their sale, the selection of partners, the hiring and dismissal of workers, and the structure and types of financial and economic activity, including a free use of the obtained profit and property.

1.4. State regulation of monopoly activity is permitted only in the form of control over the price formation of enterprises holding a monopoly position in a region or a sector, as well as control of enterprises carrying out activity within the exclusive competence of the state.

1.5. To ensure the stability of legislation and conditions of performance of entrepreneurial activity during 5 years until 1 January 1997.

#### 2. REGISTRATION OF PARTICIPANTS IN ENTREPRENEURIAL ACTIVITY

2.1. All enterprises carrying out entrepreneurial activity must be registered according to a uniform procedure in a court.

2.2. To establish uniform registration fees for all enterprises according to the following scheme:

- for the registration of an enterprise, 1,500 rubles;
- for each type of activity in accordance with statutory documents, 100 rubles;
- for the registration of an enterprise with an unlimited sphere of activity, 10,000 rubles.

2.3. The state register of participants in entrepreneurial activity is kept by tax bodies. An entrepreneur is entered in the register by the appropriate local tax body on the basis of an uncontested court decision.

2.4. The right to individual entrepreneurial activity without the creation of a juridical person should originate on the basis of purchases of fixed-term securities sold by financial bodies at the place where the results of this activity are realized.

2.5. The licensing of activities, with the exception of those dangerous to citizens' health and life, as well as those within the exclusive competence of state bodies, is not permitted.

2.6. Joint enterprises, enterprises with the participation of foreign capital, and foreign firms and affiliates carrying out their activity on the country's territory are registered in accordance with the general practice.

#### 3. TAX POLICY

3.1. Profit is the basic criterion of the activity of an enterprise. To abolish all types of taxes, leaving one type—the tax on the residual profit, the amount of which should not exceed 30 percent. All expenditures, including those allocated for production development and reinvestment in a given financial year, are not taxable.

3.2. To remove all restrictions on the amount of profitability and wage and consumption funds.

3.3. The established maximum amount of personal income tax is equivalent to the enterprise tax.

3.4. Currency taxes should be computed according to the same norms as ruble taxes. Ruble profit should be taxed in rubles and currency profit, in currency. To retain the procedure of taxation in accordance with existing legislation for joint enterprises.

3.5. To introduce a real estate tax for the purpose of stimulating the process of privatization and guarantees of the stability of entrepreneurial activity. To establish the tax amount at the level of 1 or 2 percent of the

balance value of buildings and installations, but not less than the average rent rates. The real estate tax rate is corrected with the inflation level and is established by local bodies of power.

3.6. To prohibit, in accordance with the extrajudicial procedure, the nonacceptance withdrawal, as fines and so forth, of funds by tax inspectorates and any other bodies of state control and administration from accounts of enterprises. The damage done to an enterprise by wrongful acts by officials of bodies of power is compensated for by the latter in a full volume, including the loss of expected gain.

3.7. To exempt enterprises, which unintentionally, owing to an honest error or inexperience, concealed income, from the payment of fine sanctions.

#### 4. REPORTING

4.1. To establish that a declaration on income, including currency income, submitted to the tax inspectorate every quarter is the only report document of an enterprise. The demand for the submission of other reports is prohibited.

#### 5. PRICE FORMATION

5.1. The sale of all types of goods and services is made at free prices. The state regulates prices of basic types of raw materials, energy carriers, a limited list of food products, and rates of railroad transport and communication services.

#### 6. CRIMINAL LEGISLATION

6.1. To abolish criminal responsibility for the violation of rules of currency operations, private entrepreneurial activity, commercial mediation, and illegal trade activity.

6.2. To limit the application of criminal responsibility for the output of nonstandard products to responsibility for the following concrete consequences (damage to life, health, and ecology).

#### 7. PRIVATIZATION

7.1. To prohibit the transfer of functions connected with the adoption of decisions on privatization to sectorial structures of management.

7.2. In priority spheres of the national economy (production of consumer goods and food, construction of housing and cultural and communal facilities, and provision of services for the public) to ensure the implementation of privatization according to specific purposes (on the basis of technical and economic substantiation). To hold competitions according to the professional affiliation of participants. To conduct an auction in case of negative results of specific and competitive privatization.

7.3. To permit the participation of state and municipal bodies for the management of state property in joint-stock companies or partnerships only with the consent of the majority of other participants in these enterprises. If shares of municipal or state property enter enterprises of especially important spheres of activity, dividends on these shares are not paid and remain at enterprises. This principle is revoked during the organization of new enterprises with mixed participation.

7.4. When a labor collective coordinates the program for the privatization of an enterprise with the committee on property management, to carry it out without competitions or auctions and in this case to permit the labor collective to invite third parties to participate in activity and to transfer part of the shares and stocks to them.

7.5. To grant all presently operating nonstate enterprises the preferential right to buy out leased property, including buildings and installations.

7.6. To introduce into commissions of committees on property management representatives of entrepreneurial groupings and associations and to enlist them in the development of statewide, republic, and regional privatization programs.

#### 8. BANKING ACTIVITY

8.1. To grant all banks operating on the country's territory the right to carry out the entire set of financial and credit operations, including currency operations and the opening of correspondent accounts in foreign banks. The state bears no responsibility for all types of risks connected with the activity of these banks.

8.2. All enterprises and organizations have the right to a free exchange or sale of currency funds on a contractual basis through any banks, as well as through currency exchanges.

8.3. Enterprises cannot be limited in the right to receive financing and credit in any state or commercial bank.

8.4. Functions of state structures of management and control (tax, law-enforcement, and other structures) cannot be entrusted to banks.

#### 9. FOREIGN ECONOMIC ACTIVITY

9.1. The right to participate in foreign economic activity should follow from the very fact of registration of an enterprise, which is carried out in accordance with the general practice in a court.

9.2. To grant enterprises and organizations of foreign countries the right to full freedom of entrepreneurship, including the sale of goods and services for rubles on the domestic market. To remove all restrictions on the opening of ruble and currency accounts on the country's territory by foreign firms. To permit foreign firms to invest the earned ruble funds in the domestic economy. The earned ruble funds should not be subject to conversion and export from the country. However, products

obtained as a result of the investment of these funds in the domestic economy or purchased on the internal market can be exported outside it in accordance with laws.

9.3. Export-import and other types of foreign economic operations should be permitted to all enterprises without exception.

9.4. To abolish the monopoly of any foreign trade enterprises with the exception of the performance of export and import operations for products and raw materials for strategic purposes, arms, precious metals, and other state assets. To convert state specialized foreign trade organizations into market structures with a legal enterprise regime.

9.5. To permit all types of commodity exchange (barter) and compensatory transactions with the exception of transactions for products indicated in paragraph 9.4.

9.6. To abolish all types of taxation on export-import, commodity exchange, and compensatory operations, with the exception of customs procedures and duties, which should be uniform on the country's entire territory. Customs organizations are entrusted with the statistical recording of all types of freight crossing the border in one direction or another in accordance with declarations granted by participants in foreign economic operations.

9.7. Reexport operations are not taxable, with the exception of the profit received by enterprises from these operations.

9.8. To abolish the licensing of the export and import of goods, with the exception of those indicated in paragraph 9.4. To introduce restrictions on the export of energy carriers, food, individual types of furs, timber, sawn goods, rare-earth metals, and drugs.

9.9. To permit insurance for all types of foreign economic activities, as well as assets, property, deposits, and transactions, including transport ones, which can be carried out in any insurance company throughout the world.

9.10. To grant all enterprises participating in foreign economic activity the right, bypassing all authorities, to independently solve problems connected with sending their specialists on missions abroad and receiving passports in appropriate territorial visa and registration departments and entry visas to foreign countries directly in the embassies of these countries, bypassing the consular administrations of the Ministry of Foreign Affairs.

#### 10. SUPPORT FOR ENTREPRENEURSHIP AND PRIVILEGES

10.1. To support measures for the popularization of entrepreneurial activity and its role in the development of society and restoration of normal market relations.

10.2. To consider that granting land and real estate for long-term use and ownership through specific privatization and leasing is the basic way of granting privileges to entrepreneurs working in priority types of activities (consumer goods, housing, and the social sphere).

10.3. State and municipal bodies of state management have the right to establish privileges only for priority types of activities. To prohibit the establishment of privileges for individual enterprises and organizations, except for those whose activity is of an unconditionally charitable nature, or is directed exclusively toward the realization of priority programs. Privileges should extend to all subjects of economic activity, irrespective of the form of ownership.

10.4. To establish under state and municipal management bodies public expert councils out of entrepreneurial circles. To make it incumbent upon management bodies at all levels to coordinate decisions concerning entrepreneurial activity adopted by them with these councils. To consider decisions adopted without coordination with these councils invalid.

10.5. To establish a state credit fund for support for small and medium-level entrepreneurship. To determine that funds and credits are granted in accordance with the decision of regional funds for support for entrepreneurship.

10.6. To give state foreign credits and assistance for the development of private and, especially, small business only through the system of regional funds for support for entrepreneurship.

#### Entrepreneurs Share Business Experiences

*924A0201A Moscow EKONOMIKA I ZHIZN  
in Russian No 36, Sep 91 pp 12-13*

[Report by Eleonora Luchnikova on a meeting of the Business Women's Club conducted by Nina Yakovchuk: "The First Step in Business"]

[Text] Enterprising and successful beginning businessmen, entrepreneurs, and farmers, who work in industry, rural areas, construction, and transportation, have often appeared on the pages of our newspaper.

The successful ones are much fewer in the field of education and health, that is, in the humanitarian sphere, which, traditionally, is the closest to women.

The sorrowful poverty of the social sphere is well known. No matter how much one asks for funds for good deeds in departments of culture, education, and health, one will not get them. They are simply not available. However, the unlimited opportunities of small entrepreneurship help to organize practical work here.

Successful women enthusiasts gathered at this meeting in our Business Women's Club. Those who have devoted their efforts to work with children have the first say.

**Tatyana KRUNDYSHEVA, 27-year-old, director of the small Pifform Enterprise, is the youngest:**

I graduated from the Institute of Physical Culture and worked in a school for several years. I noticed that the majority of the children were not sufficiently developed physically and many suffered from obvious or hidden ailments. Then I realized that anomalies must be corrected before it was too late. But how? I began with an examination of the children. I introduced a health certificate for every child. Then, having analyzed these certificates, I prepared a health-improvement program and coordinated it with the parents and the administration. The parents were very willing to incur small expenditures. After all, the result was not long in showing. The children began to catch colds less frequently and to assimilate the material better. We repeated such examinations after three months of training. Then I thought: Why not begin testing at an earlier age, in the kindergarten? I found two like-minded persons. The capital's railroad rayon executive committee understood and supported us. This is how our small enterprise was born. For now we have one kindergarten—160 people. But in September we intend to take several more.

**Question: How are your finances? From what sources was your fund formed?**

We began almost everything from zero. The executive committee helps us morally and has assigned premises to us. The earned funds, which represent the parents' contributions of five rubles per month, go for teachers' salaries and for the purchase of various material resources.

We have a cherished dream: To open "schools for healthy persons" for adolescents and a training center for the adult population. Here we count on the interested help of neighboring enterprises. Labor collectives will have a tremendous economic benefit from this. The land problem is our only remaining unsolved problem for the construction of such a center.

**Enelina KRASAVINA, head of kindergarten No 1302 in the city of Moscow:**

I also am for training a person for a sound life from an early age. I have become convinced of this during 30 years of work with children. I am well familiar with our educational system and, intuitively, have always tried to change and improve it. A year ago we organized paid services according to our specialization at our kindergarten. We formed several groups for the study of the English language and began to teach fine arts to the children. The parents willingly agreed to pay for this. This year we formed a choreography group. The kindergarten is located in a residential house and, owing to the vacancy of neighboring apartments, the Frunze Executive Committee assigned premises for music and dance classes to us. We now have an excellent gymnasium. And so, right away I have a business proposal for Tanya Krundysheva: Using your resources, let us conduct the

testing of our children, which you discussed. We will use this information as an assessment of our method of work with children.

**A question from the hall: Enelina Nikolayevna, how do your financial and economic results look?**

They are not bad. For the first time during my years of work in children's institutions I was able to give bonuses to teachers, although this was not much money. However, the people are satisfied and I am able to make stricter demands on them. This is also of benefit to the children and to their health and development.

We have successfully mastered the contract system. It is more democratic and effective. If we do not find a common language with an associate, we rescind the contract. If we feel that we can and want to work together, we extend the term of the contract.

Recently, we have decided to establish in the rayon an association, which would deal with problems of health improvement and training of children of preschool age. There it will be possible to gather the fragments of experience, which are scattered in the practice of entire collectives and of some gifted pedagogues.

**Mariya TERSKOVA, deputy general director for foreign economic ties of the Les Association for Business Cooperation With Foreign Countries:**

It seems to me that a woman can do anything. She needs only a little help. A woman will do this better than anyone else. Therefore, such contacts as the present ones in the Women's Club are very valuable, especially at the first stage of activity, when the feeling of a lack of confidence and of novelty has not yet disappeared. For example, at first I was simply terrified, because for many years I engaged in scientific work and was removed from practical economic problems. Now, however, I experience no difficulties in contacts with business partners both from the Union republics and from abroad.

**Olga KOSTINA, chief economist at the Center for Economic and Social Research of the Neftegazstroy Concern:**

Problems of privatization, establishment of exchanges, and joint-stock companies have been sufficiently covered in the literature. However, the path to market relations is not built according to textbooks. Therefore, business women are in great need of both consultations and methodological help from lawyers, economists, and finance workers. It is good when this can be obtained somewhere. However, it is a pity that, alas, good business schools for women can be counted on the fingers of one hand.

*As the experience of these beginning enthusiasts shows, not God but man makes pot and pan. If you are confident that your undertaking is useful and that you are on the right path, go ahead without fear and success is sure to come.*

*Other participants in the meeting also discussed this.*

**Yelena KUCHEROVA, chief of the department of the USSR Ministry of Information and the Press:**

We also can propose a topic for cooperation. Now many small enterprises, along with other functions, plan publishing activity. We have the capabilities to help you; for example, to propose a handbook on methods for the formation of prices of printed output.

**Nadezhda ILINSKAYA, general director of the Geya Business Center of the USSR Academy of the National Economy:**

The transition to the market that has begun hit women immediately. The reduction in work places is the result of the liquidation of unprofitable enterprises and structural shifts in the economy. For the most part, women with higher and secondary specialized education lose jobs. And not because their skills are lower than those of men. It so happens that men's priorities dominate in our society.

Is it not a paradox that women predominate among specialists with higher and secondary education—they make up more than 60 percent—and that only seven percent of them hold managerial positions in public health, educational, social security, and cultural institutions and more rarely at industrial enterprises?

Abroad, however, women's education and business qualities do not remain unclaimed. For example, in the United States women head more than 30 percent of the small and medium-size enterprises.

The antifeminine syndrome in public consciousness can be broken only with action, through a correction of the social status of working women. We try to give women freedom of choice for the realization of their creative potential, to equip them with specific knowledge of the market economy, and to offer them places in emerging businesses.

When we made the announcement that a business school for women was being opened at the academy, there were 200 to 300 daily telephone calls from women who wanted to study. Only the fact that the training required payment stopped many of them. And so, we have a dream that women will study here, or in other business schools, free of charge. They will receive methodological, consultative, and practical help at the first request. After all, throughout the world Soviet "business women" are looked upon as special partners—reliable and competent. Therefore, the educational system should be built so that our business women not only feel free in the element of the market inside the country, but also work competently on the international market.

**Lyudmila SMIRNOVA, senior scientific associate at the Institute of the United States and Canada of the USSR Academy of Sciences:**

Yes, it is very important to understand what the world market is. Many people have already become convinced in practice of how difficult it is to find their own path on

it. It is saturated. A delegation of women managers of Soviet enterprises has recently returned from the United States. I can say: There is a place for us on it. Right now we could offer serious competition to our foreign partners, for example, in the quality of fabrics, embroidery, and many articles of folk industries.

Well, as a person who has already some experience in entrepreneurship I can give the following advice: For any undertaking, any business to succeed, it is necessary to begin with the selection of good specialists, especially in the field of the economy and planning and financial relations, not with sponsors' presents (although without them sometimes it is impossible to manage at the first stage), because competence is the main guarantee of success.

*Problems of improving skills, mastering financial and economic subtleties, and selecting forms of training—these are the matters to which the participants in the meeting in the Business Women's Club turned again and again.*

*The Academy of the National Economy under the USSR Cabinet of Ministers seriously deals with problems of training women who wish to test themselves in business. Special study programs have been developed there and they are tested in practice in the Geya Business School for Women.*

**Gertruda BADEYEVA, prorector of the Academy of the National Economy, doctor of philosophical sciences:**

We try not merely to give a certain amount of knowledge about how to start a business and how to succeed in it, but also to help to develop new thinking and new interests, which are so necessary in order to begin a new life. All programs have an obligatory part—"a business start," as we call it. It includes studies on how to create one's own capital, how to conduct a business in conformity with the legal norms according to which our society now lives, what laws should one know, and how to find the best options for one's activity.

We want to help the woman who starts her business to acquire inner freedom. For this we introduced into the training course a unit connected with the image of the woman entrepreneur. It includes the image of a business woman, the ability to conduct negotiations and to simply communicate, the art of dressing for success, and so forth. We believe that women need this, because they are chained, have an inferiority complex, and are constricted by the stereotyped ideas about themselves and, in general, about women. In order to cross this threshold, it is necessary, as Stanislavskiy said, to challenge oneself and to set for oneself a supertask. One must fear no one and nothing. One must simply work persistently and everything will come about.

Our Geya is also a small enterprise. We began almost from zero. We had neither capital, nor a bank account, nor many other things. True, we had a room where we were able to hold classes. We worked to the point of

forgetting ourselves. In evenings we developed the program and rallied the "team." Undoubtedly, it was difficult, but I cannot say that we did not manage to realize some of the things conceived by us.

**Nina YAKOVCHUK:** Could you give some practical advice to our business women, who are testing themselves in business?

With pleasure. It is simple. First of all, it is necessary to find people who understand each other and are able to think and work honestly. At first let there be three or four people. Later personnel will also be found. Then one must develop one's charter. For small enterprises, for example, there are standard charters. One must register it and... begin to work, enlisting the support of those who already stand on their feet.

**A question from the hall:** Well, you said that beginning "business women" need knowledge. But not every woman has money for training. After all, it is not free. For example, is training in Geya expensive?

Yes, our training requires payment, although we also want to give women the opportunity to study free of charge. For now, however, the market forces us to count money. For the first group our course cost 3,000. This was because we had to pay for the use of equipment (computers, linguaphone rooms, and so forth). A good lecture is also not cheap—up to 200 rubles per hour. However, we expect to gradually lower the cost, because there is much competition. Therefore, we select personnel very strictly.

It should be stated that the specific nature of the training of women managers is special. An audience of women is very strict and demanding: It demands a more specific material and a more pragmatic organization of lectures and classes. This is understandable: Psychologists maintain that women think in more real categories (than, for example, men), because they are not cut off from life and do not withdraw into abstractions, of which the stronger sex is capable. We have already become convinced: By no means every teacher, even a very competent one, meets the level and specific nature of demands made by an audience of women. We had a case when a well-known professor, who gave brilliant lectures to any audience, simply "failed" with an audience of women. We had to rescind the contract with him.

**At the meeting frequent suggestions were heard to the effect that, in order to help women who are beginning entrepreneurs, popular textbooks on analysis of economic activity, accounting, legislation on foreign economic activity, and so forth should be published.**

**They also need good advice on how to conduct negotiations, how to draw up a business plan, and even how a business woman should dress for success. Incidentally, the speakers said that in our country it was impossible to read about this anywhere—neither in women's journals, nor in special publications, which, essentially, are not available at all in the country.**

In connection with this suggestions, which, in brief, are also contained in many answers to the questionnaire of the Business Women's Club published in EKONOMIKA I ZHIZN, No 38, 1990, were heard again. Participants in the Business Women's Club ("Dzhen [Business Women's]-Club," as we call it) ask the newspaper to fill in this information gap. Therefore, we again returned to the idea to publish a regular supplement, or a journal-type bulletin, for business women, which, perhaps, we will call DZHEN-KLUB. In it we will try to give answers by competent people—and practical advice by specialists, that is, economists, managers, and psychologists—to the most urgent questions, which today are raised by literally every woman, who decides to achieve success in the field of business and to try to realize her abilities in this area with benefit to society and to herself.

#### Business Leader Views Private Ownership, Market

924A0217A Moscow EKONOMIKA I ZHIZN  
in Russian No 44, Oct 91 p 11

[Interview with Viktor Vladimirovich Shchekochikhin, member of the Council of the USSR President for Business Enterprise, president of the Russian League of Private Owners, and chairman of the Moscow League of Private Businessmen, by I. Sklyarov in Moscow; date not given: "The Capitalists of the 'Fashionable' Basements"—first paragraph is EKONOMIKA I ZHIZN introduction]

[Text] The office of V. Shchekochikhin, member of the Council of the USSR President for Business Enterprise, president of the interrepublic organization Russian League of Private Owners, and chairman of the Moscow League of Private Businessmen, is located in a "fashionable"...basement of an ordinary five-story building in Moscow. This fact possibly symbolizes the immense progress in our society's attitude toward private property and business enterprise; after all, not so long ago they were altogether outside the law and underground. What is their actual position today in our economic and social life, what can society expect from private owners and private businessmen? Our correspondent talked about this with V. Shchekochikhin.

[Sklyarov] Viktor Vladimirovich, I think that a great many Soviet people have a rather confused idea and rather negative attitude toward private owners and private businessmen. Who are they really?

[Shchekochikhin] The Russian League of Private Owners consists of people who might be divided into four groups. The first group consists of artel members, craftsmen and tradesmen, who in the past complied with what might be called the laws of the consumer cooperative, and their work was individual and private. Today, we also include here the self-employed, who emerged not so long ago with publication of the famous law. The second group consists of those who possess intellectual

property. These are artists, composers, writers, scientists, efficiency experts, inventors, and other members of the creative professions, who create products of intellectual property by themselves and take them onto the free market to obtain profit. The third group consists of private farmers, owners of plots of land. And finally, the fourth group is made up of managers of cooperatives and small enterprises who have juridical confirmation of the right to dispose of the property of their enterprise on their own, that is, when the property belongs to one person.

[Sklyarov] Within these categories of owners, there are quite a few whose ownership we have all become accustomed to call individual or personal. How rich must one be to rightly consider oneself a private owner? Would you also please clarify how a private owner differs from a private businessman?

[Shchekochikhin] As far as I know, even members of the academy who are specialists in political economy have not altogether cleared up the subtleties of the terminology plucked from the political economy of socialism. And to set some kind of minimum level of personal wealth, as you call it, for considering oneself a private owner—that is not a very reliable way of getting at the truth.

As seen by me and those who think along the same lines, private property is what belongs to some individual and affords him the possibility of producing certain goods and services to be sold on the market. And private business is then the next step, when the private owner uses his property as a means of producing the goods and services with which he goes onto the market to obtain profit. And not just occasionally, but in an established way. Business enterprise, risk on the market, becomes his business and life purpose. For him, profit is not simply a source from which to meet certain personal needs, but a means of building up capital, of expanding his production.

[Sklyarov] Fine, they are a bit clearer. Now please tell us about the leagues which you head. What motivated their creation?

[Shchekochikhin] After working in a cooperative since 1987, I and people with the same idea arrived at the opinion that the cooperative constitutes collective reason and collective irresponsibility, that a great many negative features of the state and public forms of ownership are inherent in it. That segment of cooperators, then, who were actually operating as private businessmen, proclaimed creation of the Moscow League of Private Businessmen in March of last year. We are convinced even now that only through private enterprise is it possible for market competition to spout up.

The founding congress of the Russian League was held in October. In order to broaden support for the private enterprise movement, the decision was made to call the new organization the League of Private Owners instead of the League of Private Businessmen. In practice, this is

closer to a political party, a league of like-minded people. Many people who do not want to be private businessmen, but are in favor of private ownership, think like we do. That is why we decided not to cut off that segment and to make the social support stronger in the initial stage. Today, the Russian League of Private Owners numbers more than 5,000 members.

We intentionally did not call our organization an "all-union" or "union" organization, although it is conceived as an interrepublic organization. The red thread that ran through the congress, without the slightest gust of nationalism, was that the traditions of Russian business enterprise must be revived in this sector. The word "Russian" refers to businessmen within the borders of the former Russian Empire as it existed up to 1917. Free of any ethnic issues.

[Sklyarov] If I have understood what you have told us correctly, you take a dim view of all forms of ownership except private ownership.

[Shchekochikhin] Economics and the force of the economic "driving force" contained in the particular form of ownership are supposed to determine everything on the market. But what happens in practice?

Take, for example, joint stock capital. In the West, this is private capital. But that is not the case in our country. We will arrive at real joint stock capital only when we travel the road of failures and bankruptcies—the road of private enterprise. When in the course of competition one private businessman swallows up 100 others, and another 100, in order to survive in the struggle against that private businessman and monopolist, pool their private capital to make joint stock capital. That is when you will have a normal competitive struggle.

That is why I do not say that I reject other forms of ownership. What I am saying is that in their present form they are holding back our movement toward the market. And there is no market as such, because there is no competition. When we have a law to protect private property, when every physical person can in 30 minutes obtain the right of a juridical person—an account in the bank and his own stamp, then we will have a market. Give every individual the opportunity to make the same sausage as the state, and there will be plenty of sausage.

Today, we do not see very rapid development of what we might call "establishment" (nomenklaturnoye) enterprise, when government structures artificially create from above structures which are market-oriented in their form. For example, the ministries are becoming consortiums and associations, although this does not change their nature. Or the former party and Komsomol officials have used the resources of their organizations to set up exchanges, banks, and so on.

But we will attain their size and we will compete with them as equals. I am convinced that the "inner spring"

of private enterprise will prove to be the more powerful, because it will be hardened in the fierce competitive struggle.

[Sklyarov] It seems to me you are militating for that pattern of accumulation of private capital which took place in the West back in the last century. Stiff, even fierce competition on the market was accompanied by merciless exploitation of hired workers, widespread unemployment, and resulting social upheavals. It would seem that today that pattern is not only dangerous for society, it also does not conform to present-day ideas about humanism and social justice.

[Shchekochikhin] You may be right, although it might also be argued that an abrupt immersion into the market is not worth doing if it is not going to cause tumultuous social conflicts. Perhaps there is a point about the strategy of an average and "establishment" enterprise being less dangerous and more peaceful for the ordinary person. But I am convinced that with the dividends on stock announced in advance, with the wages in leased collectives established in advance, and now even in cooperatives, which are planned at 1.5-2-fold higher than in the state sector, we will not teach people to work under market conditions. There must also be fierce competition among them. The market in fact envisages both unemployment and other unpleasant things. That is why we need to reconsider many concepts that come under the head of social justice. If what we mean by it is that we need to help old people and cripples to live, then I agree with that kind of social justice. But when a healthy young man is not working and says that he cannot find a job anywhere, then he needs to be assured a subsistence minimum so that he constantly goes around with a hungry stomach and beats the bushes looking for work. Otherwise, we will not have any market at all.

You understand, I am not calling for people to drop with hunger, while I drive away in my Mercedes. That will not happen. In that case, the state will always take from me higher taxes, and now that is actually what is happening in our country. But I want those taxes to go to maintain those strata of fellow citizens whose social welfare really is not protected. It bothers me that in the drive for broadly interpreted social justice they are beginning to put pressure on the businessmen.

Here is a specific example for you. We rented this basement, repaired it, and so on. Now they come to us and say: "Get out. We need to put children's groups here, clubs of inventors, store potatoes." Is that social justice? To take away space in which money has been invested? Organizations partly financed from the budget will come in here and will not bring a benefit to the state in the form of taxes or in the form of products. And business enterprise will not develop.

This is the level of the problem that has to be solved: obtaining normal space for an office so as not to be

ashamed to invite a foreign businessman in to do business; seek out ways of obtaining the minimum loan or some kind of machine tool, and so on. That is why I am a bit offended by narrow-minded questions such as: "And what did you put on the store shelves? And what particular product are you manufacturing?" Unfortunately, so far we are not doing a good job of solving these problems. But believe me, this does not depend mainly on us. We would like to become involved in the credit financing of private farms and build facilities to process agricultural produce. We think that this could be the basis for creating private machinebuilding and heavy industry—industrialization of private capital. There is another important aspect to this. The processing of agricultural products will make it possible to maintain the private farms. And if the private farmers get on their feet, that will also mean that the food program will be carried out and social tension will be reduced. But for the moment we ourselves do not have the support, including state support. It amazes me very much when I hear that private owners and businessmen are rich. Compared to Western capital and our monsters in "establishment" enterprise, it is ridiculous to even talk about it. However, I am convinced that it is in the interest of the state itself to conduct a policy of supporting and increasing the share of private capital in our economy. It is that capital, as I have already said, that contains the most powerful economic "driving force."

[Sklyarov] Probably now you can count on more attention. To be specific, it was not in vain that the Council of the USSR President for Business Enterprise was formed.

[Shchekochikhin] Yes, we hope to obtain the necessary help through the council. But we are not asking for hothouse conditions for ourselves. Just give private men the chance to get out of the basements and finally engage in production for the market. In its founding documents, the Russian League of Private Owners proclaimed two goals. A tactical goal of strengthening private ownership and on that soil to create ethical and freely competitive relations to saturate the consumer market in order to relieve social tension. And the strategic goal of restoring the international power and prestige of Russia. Believe me, those are not empty words.

The number to call is 281-81-92.

#### New Radio Station for Businessmen To Start Up

*LD0111185791 Moscow Radio Rossii Network  
in Russian 0800 GMT 1 Nov 91*

[Text] The first private radio station in Russia, Resonance [Rezonans], is planned to go on the air on 4 November. As reported to a Russian Information Agency correspondent by Resonance chief editor Yelena Danilina, the radio station has been given premises at the Olympic TV and radio complex at Ostankino. The possibility has arisen to have relay transmitters in St. Petersburg and in Ufa. Talks are underway with Magnitogorsk. In this way Resonance will be heard over a territory stretching from Britain to Siberia.

The radio station for businessmen will advertise in Russian, English, German, Polish, Slovak, French, and Czech. In Moscow broadcasts will be made on the 25-meter band, in St. Petersburg on the 439-meter band, and in Ufa on the 215-meter band, from 0700 to 0900 and from 2200 to 2400. Apart from that, from 1500 to 1600 it is planned to have one hour of broadcasts especially for Moscow.

A radio school for people starting out in business; for businessmen; stock exchange summaries; trade proposals; music to suit all tastes and no kind of politics—that's the agenda for our Resonance, Yelena Danilina said.

#### **RSFSR Law on Conversion To Be Reviewed**

*924A0200A Moscow DELOVOY MIR in Russian  
1 Nov 91 p 5*

[Law on Conversion of Industry in the RSFSR submitted to a session of Russia's Supreme Soviet for consideration]

[Text] This law determines the legal principles of activity of enterprises, associations, and organizations of defense sectors of industry and those linked with them under conditions of cancellation or reduction in military orders and conversion of their production capacities and scientific and technical potential connected with this in the interest of the solution of social and economic problems on the basis of scientific and technical progress in key sectors of the national economy.

The law regulates interrelations of republic and local bodies of management with enterprises, associations, and organizations in the process of conversion and guarantees the protection of the interests of all its participants under conditions of a simultaneous transition to market relations and to primarily economic methods of management and interaction of state bodies of power with industry.

The law provides for the procedure of solution of economic and social problems arising during the implementation of conversion and aims at the most efficient utilization of the entire scientific-technical and production potential of converted enterprises primarily for civilian purposes with due regard for the needs of the market.

The law is based on an unconditional operation of the following RSFSR economic laws at all enterprises, associations, and organizations located on RSFSR territory:

**On Property in the RSFSR**

**On Ensuring the Economic Basis for RSFSR Sovereignty**

**On Enterprises and Entrepreneurial Activity in the RSFSR**

**On Competition and Restriction of Monopoly Activity on Commodity Markets**

**On Internal Revenues and Taxes (compilation of laws)**

**On Privatization of State and Municipal Enterprises in the RSFSR**

**On the Population's Employment in the RSFSR**

**On Deliveries of Products and Goods for the Most Important State Needs**

**On Foreign Investments.**

#### **SECTION I.**

##### **General Provisions**

###### **Article 1. Basic Concepts and Definitions**

The conversion of the defense industry is a partial or full reorientation of released production capacities and of the scientific and technical potential of defense enterprises and those linked with them from military to civilian needs.

A converted enterprise is a production or scientific-production association, a plant, and a design or scientific research organization, as well as any other enterprise, irrespective of departmental affiliation, engaged in the production, research, tests, repairs, servicing, and utilization of arms and military equipment and of accessories and materials for them, as well as in the extraction, processing, utilization, and storage of special materials for arms production, at which, in accordance with the decisions adopted at the state level, the production and development of arms and military equipment is terminated or reduced and measures are taken to increase the output and development of civilian products.

Converted enterprises also include defense enterprises, on the closure of which, owing to the technical impossibility of restructuring, a decision was adopted.

Enterprises fall under the operation of this law if the volume of defense output or work for the Ministry of Defense at them declines, as compared with the volume of output and work during the previous year in comparable units of measurement.

The year beginning from which production, in fact, is terminated and the deliveries or development of arms and military equipment and of accessories and materials for them are reduced, or the restructuring of capacities not put into operation begins, is considered the start of conversion.

If the output of defense products is terminated on the initiative of the enterprise, the operation of this law does not extend to it.

###### **Article 2. Principles Forming the Basis for the Law**

1. The depth and scale of conversion are determined by the volume of reduction in deliveries of arms and military equipment to the USSR Armed Forces and by the reduction in development for USSR defense needs. Decisions by USSR supreme bodies of power on a cut in

expenditures on the purchase, development, and production of arms and military equipment form the basis for the indicated reductions.

The indicated decisions are coordinated with republics with the determination of the share of each one in the financing of expenditures on defense.

2. The production and scientific-technical potential of defense sectors of industry released as a result of the reduction in the production and development of arms and military equipment is enlisted on a priority basis in the fulfillment of goal-oriented state programs for the realization of priority directions in scientific and technical progress and the accomplishment of social tasks.

At the same time, the scientific and technical reserve accumulated in organizations and enterprises, workers' occupational skills, and the specialization and technical equipment of enterprises are taken into account.

The RSFSR Ministry of the Defense Industry and Conversion (the RSFSR Ministry of Industry) and the RSFSR Ministry of Fuel and Power Engineering bear responsibility for the development and execution of state programs.

3. Converted enterprises ensure the maintenance of the necessary mobilization capacities and a reduction in the necessary service personnel in accordance with the assignments of the USSR Ministry of Defense at the expense of the funds allocated in the Union budget for defense needs.

4. Conversion is carried out with the full observance of all norms of social protection provided for by RSFSR legislation.

## SECTION 2.

### Organization, Planning, Financing, and Management of Conversion of the Defense Industry

#### Article 3. Adoption of Decisions on Conversion

1. On the basis of the defense doctrine adopted by the USSR supreme body of power the USSR Ministry of Defense, with the participation of the RSFSR State Committee on Defense Problems, is developing long-term (no less than five-year) programs for the development, production, and deliveries of systems of arms and military equipment. Appropriate program sections are brought to the notice of interested enterprises for purposes of long-term conversion planning.

2. In accordance with the decisions on the current budget financing of the purchases, development, and production of arms and military equipment adopted by the USSR supreme body of power in coordination with republics the USSR Ministry of Defense, jointly with the RSFSR Ministry of Economy, determines the procedure and periods of implementation of conversion at defense industry enterprises, refining appropriate long-term programs.

3. Refined planning documents for the conversion of the defense industry are brought to the notice of every converted enterprise no later than 1 year before the beginning of the reduction in the production and development of arms and military equipment (in excess of that planned according to the long-term program).

#### Article 4. Planning of Conversion

1. The enterprise is the basic link in the implementation of conversion of the defense industry. It plays the main role in the organization of the transition from military to civilian production and development.

The following are used as initial materials for the planning of conversion:

- an order for the delivery of products and goods for the most important state needs (including for defense);
- all-Union conversion programs;
- republic conversion programs;
- regional and territorial conversion programs;
- enterprise plans for the development and mastering of the production of new types of civilian products;
- proposals by sectorial scientific research institutions for the loading of released production capacities.

The conversion program of an enterprise is formed on the basis of the indicated materials.

2. The procedure of formation and adoption of an order for the delivery of products and goods for the most important state needs is determined by the RSFSR law. The RSFSR Ministry of Economy takes into account for every enterprise all defense orders for the determination of the actual conversion level.

3. Appropriate bodies of the RSFSR Council of Ministers engage in the development and organization of fulfillment of the most important RSFSR state programs.

Regional and territorial programs are developed by coordinating councils for conversion, or by other formations promoting the processes of realization of conversion in a region (on territory).

4. The participation of enterprises in all types of programs is strictly voluntary on principles of economic interest.

#### Article 5. Financing and Material and Technical Support for the Conversion Process. Management of Conversion

1. The procedure of financing and material and technical support for an order for the development, production, and delivery of military equipment and arms is determined in the contract with the client (the USSR Ministry of Defense, the RSFSR Ministry of Economy, and so

forth) in accordance with the RSFSR Law on Deliveries of Products and Goods for the Most Important State Needs.

2. The procedure of financing and material and technical support for work on republic conversion programs is stipulated in appropriate programs. The following can be included in this procedure:

- goal-oriented financing for the development and preparation of production;
- help with currency funds for the preparation of production;
- terms of preferential crediting (with the liquidation of interest on credit from republic sources);
- tax privileges (in accordance with the RSFSR Law on Investment Tax Credit);
- measures for material and technical support.

3. Regional and territorial programs can establish similar terms ensured by the client of the program.

4. In order to ensure an increase in production efficiency, groupings of enterprises (concerns, associations, companies, and so forth) are permitted to establish special funds for scientific research and experimental design work and for mastering new types of products.

The indicated funds are formed from deductions at the rate of 1.5 percent of the production cost of the commodity output (work) of enterprises forming part of the association with an exclusion of these payments from the taxable income tax base.

5. The material interest of enterprise managers in improving the economic indicators of the work of cooperatives and maintaining highly efficient employment of all workers is ensured by contracts with the representative of the owner of state enterprises—a body of the RSFSR Council of Ministers.

6. Management of the conversion of the defense industry is carried out on the basis of national economic and social priorities and the combination of administrative (through laws) and economic methods ensuring the coordination of the interests of the RSFSR, republics forming part of the RSFSR, regions, territories, and enterprises.

#### **Article 6. Organization of Conversion at Enterprises**

1. For the purpose of the most efficient implementation of conversion enterprises, by the decision of labor collectives in accordance with the RSFSR Law on the Enterprise and Entrepreneurial Activity in the RSFSR, can join associations (concerns, groupings, and so forth).

2. The labor collective of an enterprise, in accordance with the RSFSR Law on Privatization of State and Municipal Enterprises in the RSFSR, can put forward an

initiative concerning the conversion of enterprise property (except for cases stipulated in the law) and establish a network of small and leasing enterprises.

3. If necessary, committees for assistance to conversion can be established at converted enterprises out of representatives of the administration and councils of labor collectives and trade unions.

4. Conflict situations arising between the administration of an enterprise and labor collectives, including in connection with the transfer of some workers from military to civilian production and development, are examined and solved in accordance with the RSFSR Law on the Population's Employment in the RSFSR and collective contracts.

### **SECTION 3.**

#### **Right To Social Protection. Compensation and Privileges for Converted Enterprises**

##### **Article 7. Right to Social Protection**

1. RSFSR citizens working at converted enterprises, as well as those released from military production and development as a result of the conversion of the defense industry, enjoy rights to social protection in accordance with RSFSR legislation, including in the full volume of the RSFSR Law on the Population's Employment in the RSFSR.

2. RSFSR bodies of state management, in accordance with the RSFSR Law on the Population's Employment, assist workers at converted enterprises, who lost their jobs as a result of the reduction in military orders, in resuming their labor activity and ensure payments of social allowances and compensations.

The right of workers to an early retirement on a pension is ensured in accordance with the procedure established by law.

3. For persons who worked in defense sectors of industry for more than 15 years the use of facilities of the social sphere and of departmental medical services is provided without a time limitation and the line for living space is maintained until it is received.

##### **Article 8. Compensations and Privileges for Converted Enterprises**

1. Tax privileges for enterprises carrying out conversion are established by the RSFSR Law on Income Tax on Enterprises.

2. The RSFSR Council of Ministers has the right to permit converted enterprises an accelerated depreciation of part of the fixed productive capital and, in case of a full production conversion, a nondepreciation writing off of highly specialized equipment.

3. When an order for defense products produced on rigid and specialized production lines and processes with

placed personnel is reduced, at the request of the enterprise the client must revise prices according to the calculations submitted by the enterprise, which ensure production profitability under the new conditions with the retention of the attained wage level for workers of these sections (lines).

4. In case of a delay in the presentation of initial data on the conversion of the defense industry to enterprises within the period stipulated by this law, losses caused to the enterprise in connection with the need to write off stocks, tools, fittings, instruments, and equipment, which cannot be used owing to the termination of the production and development of military products, and expenditures on the preservation and maintenance of mobilization capacities, on social measures, on an increase in costs as a result of the reduction in the production of military equipment, on the reimbursement of sanctions from suppliers of raw and basic materials, and so forth are compensated from the republic budget (through a reduction in the funds assigned to the all-Union budget for purchases of military equipment), unless otherwise stipulated in long-term contracts between the enterprise and the client.

#### SECTION 4.

##### Foreign Economic Activity of Enterprises Under Conditions of Conversion

###### Article 9. Types of Foreign Economic Activity

Converted enterprises, in accordance with the procedure provided for by RSFSR legislation, can participate in foreign economic activity in accordance with their charter, certificate of the right to foreign economic activity, and registration card of a participant in foreign economic relations.

At the same time, enterprises can:

- export raw and basic materials and equipment released in the course of conversion of military production, if they cannot be used for the production of the indicated products;
- import new equipment and technology, as well as accessories, for the production of civilian products;
- transfer (exchange) and sell technologies, licenses, know-how, and scientific and technical information, which were used before the conversion in the development of arms and military equipment;
- establish joint enterprises with firms from foreign countries for the production of products for civilian purposes, or for rendering services with the use of material and human resources released in the course of conversion;
- enlist foreign credit on the security of enterprise property and establish joint-stock companies and small enterprises (in accordance with the RSFSR Law on Foreign Investments);

—participate in exhibits, conferences, symposiums, fairs, and so forth with the demonstration of new materials, equipment, instruments, advertising descriptions of technologies, and so forth, which were previously used in arms and military equipment;

—engage, jointly with foreign firms, in development and other types of foreign economic activity.

###### Article 10. Protection of Military-Economic and Scientific-Technical Potentials of the RSFSR and the USSR

1. During the performance of foreign economic activity provided for in Article 9 of this law, enterprises, for the purpose of preventing damage to the military-economic and scientific-technical potentials of the RSFSR and the USSR, as well as nonproliferation of mass destruction weapons, should strictly follow the established restrictions on the export (transfer and exchange) of products and technologies, which have peaceful purposes, but can be used for the development of mass destruction weapons. The procedure of introduction of restrictions on the export (transfer and exchange) of the indicated types of products and technologies is established by the RSFSR Council of Ministers.

2. In foreign economic activity provided for by Article 9 of this law enterprises are guided by the following provisions:

The export of strategic types of raw and basic materials and equipment is carried out in accordance with the procedure established by the RSFSR Council of Ministers according to individual licenses in each specific case issued by the RSFSR License Committee.

The transfer of technologies and scientific and technical information for the organization of the production of products for civilian purposes and (or) their use in trade and scientific and technical relations with foreign firms is carried out with due regard for the requirements of documents providing for the protection of military and economic interests of the RSFSR and the USSR.

The sale abroad of arms and military equipment, as well as special systems, complexes, functional units, and subassemblies forming part of arms and military equipment and their production technology, is carried out in accordance with the established procedure only by the decision of the USSR state body, to which this activity is entrusted by republics. All types of enterprises are prohibited from exporting such products.

Remarks and suggestions can be sent to the following address:

103274 Moscow Krasnopresnenskaya nab., 2, Committee on Industry and Power Engineering of the RSFSR Supreme Soviet Subcommittee on Conversion

Telephones: 205-56-20, 205-97-18, 205-97-00.

**Yakutia Resumes Gold, Diamond Supplies to Moscow**

*PM1511105591 Moscow IZVESTIYA in Russian  
14 Nov 91 Union Edition p 1*

[Unattributed report from the "IZVESTIYA, TASS, RIA, REUTERS, INTERFAX" roundup]

[Text] The Yakut-Sakha SSR [Soviet Socialist Republic] has resumed shipments to Moscow of diamonds and gold mined in the republic.

These are intended for Russia, not for the collapsed Union. Since September, when shipments of hard-currency raw materials were suspended, around five tons of gold have built up in Yakutia, competent sources report.

**INVESTMENT, PRICES, BUDGET,  
FINANCE**

**Bankers Air Organizational, Operational Problems**

*924A0184A Novosibirsk EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA (EKO) in Russian No 6, 1991 pp 47-59*

[Interviews with V. I. Cheplakov, chief of the Novosibirsk Administration of the Central Bank of Russia, L. I. Muzyayeva, chairman of the board of the Novosibirsk Commercial Bank "Levoberezhny," Yu. D. Glazychev, chairman of the board of Agroformbank, A. A. Sultanov, chairman of the board of the Siberian Bank, and G. G. Matyukhin, head of the Russian Bank, by L. Berkovich, EKO correspondent: "In the Labyrinths of the Banking System"—paragraphs in bold are EKO introduction and other citations and commentary]

[Text] The banking system is almost the only sphere of the economy where a market system is indeed developing. This is both the creation of commercial banks and the commercialization of existing state specialized banks and the separation of economic management functions from the central bank. The essence of the two-level banking system is in the differentiation of the commercial and the monitoring and regulating functions. The first attempt at introducing such a system was made in 1988 through the breaking-out of three specialized banks from USSR Gosbank [State Bank]: Zhilotsbank [Bank for Housing and Municipal Services and Social Development], Agroprombank [Agroindustrial Bank] and Promstroybank [Industrial Construction Bank]. The functions of Stroybank with respect to the "financing" of long-term construction projects had in addition shifted to the latter. Gosbank was assigned the role of the "bank of banks" and of the creditor of last resort. In actuality this did not occur (see EKO No 3, 1990).

The Russian government has taken more decisive steps regarding the decentralization of the banking system and

its conversion to commercial principles. The 13 July 1990 decree of the RSFSR Supreme Soviet "On the RSFSR State Bank and banks on the republic's territory" directed all the specialized banks with their numerous branches to change into commercial banks. Laws adopted almost simultaneously by the Union and by Russia placed the process of commercialization on a legal foundation. The priority of reforming the credit and financial sphere was perhaps justified: the repayability of a loan and its ability to be directed to profit can become a catalyst of market processes throughout the entire economy.

But how do commercial banks function in an environment of planned-loss clients? How well-prepared and timely was the commercialization of the specialized banks and what are its consequences. Here is what the participants in the events themselves say about it.

**A New Era or the "Next Act of Sabotage?"**

**V. I. CHEPLAKOV, chief of the Novosibirsk Administration of the Central Bank of Russia:**

[Cheplakov] Until now the Center, USSR Gosbank, which is directly connected with the Ministry of Finance, was the monopoly holder of all loan and ready money. The situation has fundamentally changed with the adoption of the Russian law. Credit resources will be found where they are developed—in the commercial banks, the chief task of which is to stimulate production and the saturation of the market with goods by means of credit.

[Berkovich] What is changing in the interrelations of the head bank with the former specialized banks which have become commercial?

[Cheplakov] Correspondent accounts (korrespondentskiy schet) are becoming the basic form of the interrelationship. Just as an enterprise opens an account in the commercial bank to conduct its own operations so also does the bank open its own account in the correspondent bank, the Novosibirsk administration of the Central Bank of the RSFSR in this case. All settlement and loan operations of the commercial banks, which give complete information on their financial status and the state of affairs with clients, pass through the correspondent accounts. Correspondent accounts are a new form of inter-bank relations. If previously settlements between the branches of the specialized banks were carried out on the basis of inter-branch turnovers, now it is through correspondent accounts. Intensive preparation for opening them is now being carried on—cash settlement centers (raschetno-kassovyye tsentry), equipped with electronic equipment, are being created in the city and in the oblast. Together with the commercial banks we are mastering the "Daily Operations (Operatsionnyy den)" automatic data processing program. Our ultimate goal is to conduct all operations according to the clients' wishes and "on a same day basis."

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This is in the long run, but now... Many bank workers consider the conversion to correspondent accounts premature and ill-prepared.

**L. I. Muzyayeva, chairman of the board of the Novosibirsk commercial bank "Levoberezhnyy" (the former branch of a Zhilsotsbank administration):**

[Muzyayeva] I have lived through many reorganizations in 20 years of working in a bank. But what is taking place now is simply sabotage. As with the last time, no one has asked us, the bank workers, what's your opinion? Did anybody think how we will operate? And what's all this for? Only because settlements have slowed down by two days at the minimum. But the fact is that so far we still count on the accounts. We have hardly recovered from the previous reform, we have eliminated confusion in the settlements and, with difficulty, have gone to a balance based on the inter-branch turnover, and again all over again—one enters a new era?! This will lead to nothing except the disorganization of the entire credit system.

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P. V. Ushanov's article, "The Tragedy of Our Banks" (BIZNES I BANKI, No 11, 1990) spoke about the inevitable slowing down of settlements and the destructive consequences of the competition of small commercial banks. True, he raised doubts not about commercialization as such but about the methods of its implementation by the Russian government. In his opinion, the specialized banks should not be destroyed but large joint-stock commercial banks should be created on their basis, which in due time would lead us to a banking system of the Western type.

But are there reasons for counting on a quiet transformation of our monopoly structures to those which have developed in the West "during a prolonged evolution." There is no answer as yet. But on the other hand pronouncements of a "sabotage" type have already emerged at a high level: an almost identical concept, economic sabotage, has been "rehabilitated" by a decree of the President.

#### A New Monopolism In Place of Competition?

**Yu. D. Glazychev, chairman of the board of Agroformbank (a former administration of Agroprombank):**

[Glazychev] The hasty and ill-prepared commercialization of our banks if not a tragedy is an enormous problem, moreover an artificially created one. The specialization of the banks had a large number of negative aspects, but many of them had been overcome towards the end. Our banks had become universal economic accountability (khozraschet) institutions which fully paid for themselves.

**A. A. Sultanov, chairman of the board of the Siberian Bank (a former administration of Promstroybank):**

[Sultanov] Khozraschet in the banking business, unfortunately, has not developed and has not succeeded. I see the sources for the origin of commercial activity precisely in the development of khozraschet. It was possible, while not destroying the structure of the specialized banks, to reduce administrative interference and to grant them greater independence. The specialized banks significantly raised the level of temporary credit operations: with electronic computers settlements between clients were carried out in minutes. We have begun to master facsimile communications and to render leasing, factoring and other services to our clients, i.e., essentially we have begun to change into commercial banks.

[Berkovich] You want to say that the natural course of evolution has been interrupted in turn?

[Sultanov] Precisely so. By developing khozraschet principles and entrepreneurship and by participating in the creation of a credit market, the specialized banks certainly would have come to commercialization, only together with their clients. We do not defend the administrative-command system, but can the banks be commercial in a non-market economy? The overwhelming majority of our clients are state enterprises, many are planned-loss enterprises. Commercialization of the banks in the form in which it is occurring is not economically justified. It was enough to grant the specialized banks the right to change into commercial banks, but how to make use of this right is a matter for the banks themselves. We are for the market and commercial principles of operation but so that we wouldn't shoot from the hip and infringe upon the destinies of the people.

[Glazychev] Here, I think, political factors intervened. Having destroyed and drained the blood of the specialized banks, they have created a multitude of small, scattered, "pocket" ones in their place. Not possessing sufficient resources and experience of independent operation, they have been forced to go for servicing to the Russian Bank and its oblast administrations. It is also easier for the local authorities, who in individual regions have found a solution in the creation of independent commercial banks on the base of our former departments (otdeleniye), to order such banks about.

[Berkovich] The administrative apparatus, it turns out, contributes to the commercialization of the banks and the development of competition?

[Glazychev] One can talk about such competition if the local authorities pose a dilemma to the former departments of a specialized bank: either register yourself as an independent bank or altogether close down. We, they say, for now will register ourselves and do some work and only then will we begin to compete with you.

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In the opinion of my interlocutors, the Russian Bank, under the pretext of an antimonopoly struggle, is hindering the creation of inter-bank associations (obedineniye). However paradoxical it may seem, the destruction of the branches (filial) and the creation of independent commercial banks can lead to even greater monopolism, now already of the Russian Bank.

[Berkovich] Can your banks make loans to large enterprises if the charter capital is insufficient for their liabilities?

[Sultanov] The normative for advancing a loan to a single client comes to no more than 25 percent of the charter capital. Let's take, for example, the tin combine which has a debt of 80-90 million rubles [R]. The charter capital of the Siberian Bank and its branches is R61 million all told. "Sibinvest," which has been created on the base of the former Kirovskiy department of our bank has less than that—R16 million. We are not capable of advancing loans to such giants and we have dozens of them. The Central Bank of Russia has found a solution in the creation of structures parallel to the commercial banks under the aegis of its own oblast administrations. The financing of budgetary organizations and of centralized capital investments is being entrusted to them. A growth of staffs and work areas and of new departments is going on in the Novosibirsk administration itself. An enormous clumsy structure again arises.

[Berkovich] But this completely contradicts the main idea of a two-level banking system!

[Sultanov] Of course, and we have written about this in a collective appeal to the Russian government on behalf of all the promstroybanks of the Urals and Siberia. Here are its basic points:

**The 13 July 1990 decree of the RSFSR Supreme Soviet started the war of the banks which continues through the present time. Whereas the former USSR specialized banks—Agroprombank and USSR Zhilotsbank—have yielded their positions, Promstroybank insists on retaining its own system as a single all-union bank.**

The commercialization of the banks on the basis of the scheme worked out by the RSFSR Central Bank leads to the loss of all that has been achieved and infringes upon the interests of the banks' clientele. The commercial banks lack the means to render services in the area of financing capital investments, servicing foreign economic activity, and in performing certain foreign exchange operations. The RSFSR Central Bank is creating a network of its own agencies to perform these functions, which destroys the idea of a two-level banking system established in the RSFSR Law on Banks.

In essence, the banks have been put under conditions in which it is necessary to simultaneously implement instructions of the central banks which contradict one another. The collectives of the promstroybanks of the

Urals and Siberia condemn the war of the banks in the upper echelons of power, and consider it necessary to create large commercial banks with the right to provide comprehensive services to clients, and think that the creation of additional state bank structures for their direct servicing is not to be tolerated. The authors of the letter call for a speedy solution of problems concerning the procedure and time periods for the buy-back of bank property, taking the extremely low level of the computerization of the banks into account.

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I will cite the following data as an illustration for the letter. Some 35 cash settlement centers (raschetno-kassovyy tsentr) are currently being created in Novosibirsk and the oblast, which have been entrusted with the servicing of budgetary organizations and the advancing of loans for centralized capital investments. The creation of administrative-managerial structures governed by the Central Bank under the guise of cash settlement centers, is, in a certain sense, a step back even in comparison with the specialized banks. According to Sultanov, this recalls the system of the long since dead Stroybank.

#### So How Do We Use Western Experience?

And what does the other side think? The responsible employees of the Novosibirsk administration see in the cash settlement centers first of all an effective means for conducting all inter-bank operations through a head bank, in this case the Novosibirsk administration. According to its chief accountant, N. Ya. Bublik, the structure and speed of the settlements do not change in this case. As before, the clients will be serviced where they have been accustomed to and as soon as all commercial banks open correspondent accounts in the head bank and are connected up to the central computer center, all settlements will be "on a same day basis."

This was said in December. The first correspondent account in the Novosibirsk administration was opened at the end of March for the Siberian Commercial Bank. The Bank of Russia as yet is technically not in a position to open correspondent accounts for all commercial banks. At the same time the destruction of the branch network has led to the delay of the payment documents and, sometimes, they are also completely lost.

In the oblast administration they consider this only a temporary technical problem which can be resolved by connection to a centralized automated data processing system. In the opinion of the chief of the computer center of the Novosibirsk administration V. M. Novitskiy, the entry of documents then is to be accomplished on a same day basis, and in the extreme case within 24 hours. Delays are individual cases. In two weeks any banking institution, if it wishes, can be connected to the centralized system.

Not all of his colleagues share V. M. Novitskiy's optimism, calling the computer center the "bottleneck" of

the new banking system. But in any case the transfer to correspondent accounts and the creation of a network of cash settlement centers under Gosplan are far from being technical problems. The practical experts think that this is generally speaking yesterday's problem.

[Berkovich] What then about today?

[Sultanov] Operating in a MODEM system through telephone and facsimile communications we can, bypassing gosbank, handle mutual settlements in minutes and even seconds. The previous system of credit relationships through the inter-branch turnover has far from exhausted itself and it was possible to improve it. In order to recover the information needed to regulate the money and credit volume, it is enough to give the finished balance of one's own bank back to gosbank at the end of the day in order to combine it into the oblast's financial balance.

[Glazychev] The settlement centers are in general an unnecessary element standing between the banks of the supplier and the purchaser. Personally I do not find any justification for this. The two-year experience of the work of the Baltics regarding correspondent accounts reveals that a delay of settlements by two days at the minimum is an every-day occurrence. The funds lost come to millions of rubles.

[Sultanov] There is, I think, the solution of a riddle in this delay. Checks and operations on current accounts will pile up in the settlement centers, which cut off the direct relations of subjects who are carrying on economic management, and the funds frozen in them will be used by the Russian Bank as additional credit resources. It will even sell them to us at high interest rates! Another way of using the cash settlement centers for the same purpose is the transfer of budget funds, the most secure source of credit resources, to the accounts of the Russian Bank. For Novosibirsk Oblast they come to R1.7 billion. The Russian Bank is playing a "double game" with us: with one hand it seizes our traditional sources and with the other it sells them to us at interest. We would be able to service the budget people free of charge and even pay them interest as on deposits. The commercial banks, I am sure, would use budgetary funds with greater efficiency both for themselves and for the clients.

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The upper element is again involving itself in economic activity. Its basic functions—the conducting of an anti-inflationary policy and the regulation of money turnover—suffer from this. On the other hand, can the Bank of Russia play the role of the "bank of banks," while not having its own resources and reserves at its disposal. The Union leadership is not hurrying as yet with the division of the country's loan fund. The Russian Bank is therefore undertaking desperate efforts to organize its own sources of credit.

The cash settlement centers created on the initiative of the Russian Bank have analogs in the Western banking

system—the so-called clearing houses. They simplify the system for offsetting reciprocal claims among banks, thereby restraining the money in circulation. In the USA all commercial banks make use of the clearing houses under the Federal Reserve System. When entry is instantaneous settlement operations can hardly serve as a source of loan advancement.

Considering Western experience, one cannot agree that correspondent accounts are yesterday's problem and that cash settlement centers are an unnecessary element. How to use them and in what sequence commercialization is to be carried out is another matter. Perhaps it is not worth-while transferring developed market institutions to our conditions and it is better to revert to earlier forms of them. The USA banking system, for example, already following World War II up to the middle of the seventies, underwent a period of vigorous development of the financial network and, correspondingly, of a reduction of correspondent relations. They were subsequently set up on a qualitatively new basis.

#### What Hinders the Formation of a Credit Market?

The young commercial banks among the industrial construction banks are experiencing most of all the opposition of the Central Bank of Russia and of the USSR Promstroybank which has been recently transformed into a state commercial bank. The rumors of its demise have proven to be premature. As before it retains influence on its administrations and departments. At the same time, in accordance with Russian legislation, all banks on the territory of the RSFSR are to be subordinated to the Bank of Russia.

[Berkovich] How does the independent Siberian Bank live between two fires?

[Sultanov] This is the way we live: the one who gives the resources is the one, as the saying goes, we honor. The most terrible thing in our situation is that we sit between two flows of telegrams as between two stools. Instructions and orders which cancel one another come from above like an avalanche. Here recently a telegram arrived from Promstroybank with the suggestion that we transform ourselves into a state commercial bank on the basis of its scheme. Immediately after there comes a telegram from the Central Bank of Russia abrogating all instructions of Promstroybank on the territory of the RSFSR. One is obliged to maneuver: we still retain blood ties with Promstroybank. It helps us with resources, equipment, and specialists. However, we are far from sharing its position in everything. Once they began to divide, one ought to have divided both the charter capital and the credit resources of Promstroybank.

[Berkovich] In your opinion, what ought to have commercialization begun with?

[Sultanov] With the transformation of the specialized banks into state commercial banks, while partially retaining budgetary financing and granting them the status of joint-stock banks. Then we could have made the

private depositors our stock-holders. Shares are a more convenient form of mobilizing spare monetary funds than investments or deposits. Because of the sluggishness of the Russian government we did not have the right to issue shares until recently. The issuance of shares is going at full speed in the banks which have registered in USSR Gosbank. The all-union government published the Law on the Formation of Joint-Stock Companies already in the summer of last year. The capital cities are inundated with credit resources and the banks can enter the foreign market and create such giants as MENATEP. We live in a different dimension in comparison with them.

[Berkovich] What needs to be undertaken for the formation of a loan capital market in Russia as rapidly as possible?

[Sultanov] First of all, give the commercial banks the right to issue shares. Then, divide the funds of the Sberbank (Savings Bank) in proportion to the state debt by republics and regions. One must, finally, crack open the curtain to assign the state debt by addresses and clients—who, when, and how much was borrowed. If our enterprises are among the debtors, we will take their debts into account and take measures. Not to do this means to bury the debts of the enterprises as was done with agriculture. We should know where our money went and is going.

[Berkovich] But is the savings loan fund enough to cover the state debt for Novosibirsk Oblast?

[Sultanov] I am sure that it is enough and there will even be some more left over. According to a rough estimate our state debt comes to R1 billion, while the population's deposits in the Sberbank are about R3.5 billion. We could use this difference for credit investments, allot something to centralized funds, and sell the rest.

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Those who directly mobilize them should sell the resources: Sberbank [Bank for Labor Savings and Credit to the Population], Gosstrakh [Main Administration for State Insurance of the USSR Ministry of Finance], industrial enterprises, the population, commercial banks. This is the unanimous opinion of my interlocutors. Otherwise both the distributive principle and automatism in the granting of loans and the writing-off of debts will remain.

The formation of a market in the credit sphere is complicated by the fact that several upper elements—USSR Gosbank, the Central Bank of Russia and Promstroybank with its local structure—in fact exist. Promstroybank is not ascribed to the upper element by chance. Its charter capital comes to R10 billion. For comparison, the charter capital of the all-union Gosbank is R1.5 billion all told.

Promstroybank has been reorganized into a state commercial bank by a decree of the USSR Council of Ministers and registered in the all-union Gosbank. The

semi-mythical USSR State Property Fund, information about which almost never leaks out in the press, was announced to be its chief founder. No one knows what it is engaged in but everyone suspects what forces stand behind it: the Ministry of Finance, the Military Industrial Commission, and the major ministries (who else could found a bank for 10 billion!). Apparently the Fund, through Promstroybank, will carry out an "apparatus privatization," i.e., actually manage the property and funds of the enterprises and banks dependent on it.

The worst fears of G. G. MATYUKHIN, chief of the Russian Bank, begin to be realized, it appears, with the formation of such a giant.

[Matyukhin] Essentially this means the creation of an organ parallel to the Central Bank. We cannot register it as a commercial bank since it places the bulk of small and medium-sized banks, especially those formed on the base of its branches, in an undoubtedly unequal situation. Prior to the reform of the system of specialized banks Promstroybank held 55 percent of the credit resources of Russia, while the share of Zhilsotsbank and Agroprombank was 45 percent, all told. If one goes along with the scheme of Ya. N. Dubenetskiy (the head of Promstroybank) then the Central Bank of Russia will find itself with only this 45 percent.

At present Promstroybank is a head without a body, which is situated in the republics where the majority of its branches have been turned into independent commercial banks. For now it holds more than a billion of Russia's credit resources. We cannot register it in the role of a giant bank which has become used to making a living on budgetary funds.

[Berkovich] Ya. N. Dubenetskiy adduces weighty arguments in favor of transforming Promstroybank into a large joint-stock bank by citing the experience of the West (RAZVITIYE No 10, 1990). In the USA, for example, the 20 largest banks (less than 1 percent of the country's commercial banks) hold more than 40 percent of the assets and about 45 percent of the joint-stock capital and reserves of the banking system. Against this background Promstroybank, in the opinion of its head, doesn't look like such a giant.

[Matyukhin] This comparison is not a lawful one. In the USA the multinational banks operate under conditions of stiff competition. Altogether there are about 20,000 commercial banks there: 500 very large, 5,000 large and 14,000 medium-sized and small. Add the foreign banks. Moreover, the commercial banks have other competitors on the loan capital market: specialized investment banks, pension funds, savings and loan associations, and credit unions of various types. The large banks are prohibited from opening branches in other states—one can in any part of the globe but not at home. There are many ways of getting around such prohibitions, it is true, but under conditions of competition the expansion of a network of branches does not represent a threat to the market.

It's another matter with us. There are 3,500 banks and branches altogether in the RSFSR, many of which are being reorganized now into independent banks. We anticipate approximately 2,000 commercial banks by the end of registration. Competition will appear when their number reaches critical mass.

[Berkovich] Your opponents accuse the Russian Bank of destroying the existing banking system with far-reaching negative consequences. Was it impossible to find a more smooth and evolutionary path to the new system?

[Matyukhin] In reality we are destroying the monopolism of the all-union structures. Up to this point the Russian Bank has not had the resources available, and this means the real control levers, with whose help one could have hindered the automatism of the advancing of loans, the transfer of book-entry money into ready money, and the growth of the deficit and of inflation. Behind the talk about a smoother transition there is hidden in reality a striving to keep everything as it was before: a state monopoly can not evolve into its converse. Commercialization by the Dubenetskiy scheme is no more than a cosmetic repair of the previous system, a change of the signs. Stabilization of the economy within the framework of the old, lightly retouched power structures is possible only through their consolidation, which in the end will lead to an even greater crisis. The selfsame Promstroybank has had an unclaimed multi-billion indebtedness for years: by the end of 1990 unrepaid loans amounted to R83 billion. This debt is written off periodically, i.e., it is transferred to the category of state debt, which increases the budget deficit. By retaining the giant bank we will not be able to monitor this process and to stabilize the circulation of money and credit. The creation of a modern two-level banking system will be delayed for an indefinite period.

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The Russian Bank in fact does not hinder the retention of ties between the former branches of the specialized banks. Having become commercial they can create free associations (assotsiatsiya). There already are such examples. The strategic course of the Central Bank of Russia is the creation of a securities market and the privatization of bank property. The labor collectives of the banks will begin the buy-back of the property through the material incentive fund; moreover, the shares will be individual and not collective. The leaders of the large commercial banks of the Urals and Siberia also suggest this. There are not so many differences between them and the Bank of Russia in the strategic plane. Why do its actions encounter such sharp criticism from below?

The paradox is that the sharp struggles of the Russian Bank with the monopolism of the upper crust were necessary for its potential allies among the reorganized departments of the specialized banks. The majority of them share the position of the Russian government in coming out in favor of a sequential transition to the market, the decentralization of the country's state debt

and loan fund and of the foreign economic debt and foreign exchange reserves, which the all-union authorities don't want to hear about.

The confrontation of the Bank of Russia with Promstroybank has become especially acute. Voluntarily or not, it has painfully sealed off the local elements in the process of their reorganization into commercial banks. The intention here, apparently, was to "sever the body from the head." Hence the tightening of resources and budgetary funds and the freezing of economic incentive funds. And what's the result. The "body," i.e., the new commercial banks, have been weakened while the "head," it appears, has been further strengthened. The result has proved to be inadequate. And it's a pity.

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**The journey through the labyrinth of the banking system has only just begun. EKO proposes to reveal the broad spectrum of banking and related problems of the formation of the market.**

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#### **Developments on Securities Market Viewed**

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in Russian No 36, Sep 91 Supplement p 5*

[Article by D. Korionov: "Securities: All Is Quiet on the Market for the Present"]

[Text] Public opinion frequently associates the term "securities market" directly with the stock market. Probably this is exactly why there is still nothing for the securities trade to deal in in any substantial volume, while the stock exchanges and stock trading sections of commodity exchanges are growing like mushrooms after a warm summer rain. In Moscow alone, the Moscow Central Stock Exchange and Moscow International Stock Exchange have been registered, and stock trading sections have been opened in the Russian Commodity and Raw Materials Exchange and the Moscow Commodity Exchange. But real and more or less regular trading is being done only on the Moscow Central Stock Exchange. The results of trading show that deals tend to be a one-time affair and sporadic. It is thus at the least premature to speak about our having even one securities exchange in operation.

If in the course of a day only one or two deals have been concluded on the stock market involving a particular security, this does not give us an opportunity to make any kind of a sound judgment about the security's real market value. We do not need to be present on the exchange to see how supply and demand are changing; there are practically no such changes, or they are so stretched out over time that in making judgments about them we can be guided by other sources of information on market conditions and the situation of enterprises issuing stock or bonds. And precisely because there is no

need to conclude deals involving the purchase and sale of this or that security on the exchange, we can deal through a middleman. The whole trouble is that we still have too few such intermediaries—financial investment companies or stock brokerages, and they are quite weak to be able to organize a highly developed securities market outside the exchange. This type of business is not very well-known in our country at all, although the words "stock exchange" were to be heard during the entire 70 years of Soviet power. That is why, just as in the case with the commodity exchanges, we first had to create the stock exchanges, and then under their aegis begin to form the structure of firms to operate as intermediaries. If one is to define correctly the role and place of the burgeoning stock markets in the formation of the new economic mechanism, we need to evaluate at least in general terms the state and development of the securities market in the USSR as a whole.

First, let us examine what it is that is traded on a stock market. Securities which yield a fixed income (bonds) and securities yielding a variable income (stock) differ in the way income is earned. This distinction is highly relative in countries with advanced market relations. But it is altogether valid for our financial market, which is just being born.

Among securities in general, we first distinguish government securities.

First of all, because historically this was the first form of securities. Second, the state is considered the largest and most reliable debtor.

In 1990, the USSR Ministry of Finance issued the bonds of the State Domestic Loan for enterprises and treasury bills for the general public. The marketing of these securities was not successful because the terms of the issue did not correspond to the real demand of enterprises and individuals. Distribution of the bonds of the Russian State Domestic 5-Percent Loan went somewhat better. The RSFSR Ministry of Finance attempted to use market methods of selling bonds through brokerages and the stock exchange. The selling of bonds at a discount from the face value was permitted, which unquestionably was a step in the right direction and aroused considerable interest among the commercial banks, especially because this afforded them the right to count state securities as reserves in USSR Gosbank.

The marketing of state securities under conditions determined by the current situation on the market, state securities in particular, could become pivotal to forming an advanced stock market. The general economic and political instability in the various republics and in the country will undoubtedly cause a substantial fluctuation of the current market value of state securities. This makes them one of the most attractive commodities for the stock exchange.

Because the volume and terms of an issue of state securities are largely determined by arbitrary government decisions, we will omit them from our discussion below.

In 1988, the USSR Council of Ministers adopted Decree No. 1195, which allowed enterprises and organizations which had made the transition to full cost accounting (*khozyaystvennyy raschet*) and self-financing to issue stock of enterprises and work collectives. The development of that market received a strong thrust from adoption of Decree No. 590 of the USSR Council of Ministers, dated 19 June 1990 and entitled "On Adoption of the Regulation on Joint Stock Companies and Limited Liability Companies and the Regulation on Securities," and Decree No. 601 of the RSFSR Council of Ministers, dated 25 December 1990 and entitled "On Adoption of the Regulation on Joint Stock Companies." As of 1 July 1991, more than 240 joint stock companies with total authorized capital of 19.4 billion rubles [R] had been entered in the register of the USSR Ministry of Finance alone. Several hundred enterprises have been entered in the state register of the RSFSR Ministry of Finance. Issuance of the stock of joint stock companies will speed up many times over thanks to adoption of legislation on denationalization and privatization. But this does not mean that a wave of securities of new enterprises and those reorganized as joint stock companies will automatically come splashing onto the stock market. A large portion of the stock of enterprises being privatized will be placed first of all among members of the work collective and frozen in the form of collective capital.

Sociological surveys indicate that many individuals will acquire stock in order to rescue their savings from inflation and in order to realize income. Enterprises will frequently see acquisition of the stock of joint stock companies as a guarantee that they will fulfill their contractual obligations. This tendency will do much to slow down development of exchange trading in securities.

Now let us examine the structure of the securities market. Government agencies, enterprises, and other juridical persons issuing securities and undertaking to discharge the related obligations (issuers) may take their offer to sell securities directly to the potential purchasers (investors) or may use the services of middlemen for this purpose. The role of the latter may be performed by specialized financial investment companies or commercial banks. Offers to sell new issues of securities constitute the primary securities market.

The stock of newly created enterprises gradually fill the primary securities market. At the same time, the issuance procedure and organization of subscription to securities is today regulated only by Decree No. 590 of the USSR Council of Ministers, dated 19 June 1990, as it relates to the stock of newly created joint stock companies. The precepts set down in them are clearly inadequate even today. There are cases when enterprises place

a publication on organizing subscription to securities with information that is incomplete or unreliable, and yet they are in no way accountable.

Let us take an example. An enterprise has published a prospectus on a stock issue. There is only one inaccuracy in the prospectus: the giro account of a cooperative associated with the enterprise is given instead of the giro account of the enterprise. Before issuance of the ukase of the USSR President entitled "On Compensation of Individuals for Losses Because the One-Time Rise of Retail Prices Devalued Their Savings," an individual withdrew R5,000 from a time deposit in USSR Sberbank and transferred it to the giro account indicated in the prospectus by way of payment for the value of that enterprise's stock. When a month later he had not received the stock nor any notice whatsoever about what happened to the money he transferred, he sent an inquiry to the enterprise. In the reply he received, the enterprise's management notified him that because he had used erroneous information, the individual had transferred money to the account of the enterprise's cooperative, that he would not be receiving stock, and his money would be returned. Who will reimburse the 40 percent of compensation payments he lost and the cost of the money transfer, who will pay the income which he did not receive on the time deposit? Which is not even to mention that during the more than two months all this was going on, his money was part of the cooperative's working capital. The present legislation does not provide an answer to these and many other questions. Consequently, businessmen have to operate in an environment of legal uncertainty in which the lawfulness of their actions is judged depending on the content of the consequences those actions have.

The purchase and sale of securities issued previously constitute the secondary securities market, which is in turn divided into exchange trading and the over-the-counter market. A large portion of securities bearing a fixed income are traded over the counter, because they are less subject to substantial everyday price fluctuations. And also the stock of new joint companies or those that are not stable enough. These very risky securities are not permitted to be traded on the exchange on grounds of guaranteeing the stability of the exchange market.

We already have a number of firms which act as intermediaries in operations with securities as their exclusive line of business. One of the first of them to be organized was the financial investment company "Fininvest." This company took part in marketing the bonds of the Russian State Domestic 5-Percent Loan, certificates of Avtobank, and other securities. "Fininvest," which had forms for the stock of joint stock companies made in the United States, has been involved in selling them on the domestic market. Enterprises purchasing blank stock forms quite often sign up for the company's services on a regular basis.

Why are such companies necessary, and what do they do? First of all, there is the primary marketing of

securities. As permanent participants in the securities market, they are qualified to give consultations on the condition of the securities market, on how much stock you should market, and the kind of terms you can realistically count on. They will also advertise the stock issue of your enterprise, acquire stock forms for you and distribute them. For example, with its network of brokerages the company "Fininvest" even today can distribute fewer stock without resorting to the services of the stock exchange. We should note particularly that because this kind of company participates in developing the project for marketing securities and takes responsibility for carrying it out, it must also assume the obligation, should the marketing of the securities fail, to acquire all the remaining shares at its own expense. In our environment, such firms can take an active part in carrying out the privatization of enterprises.

In addition to organizing the primary marketing of securities, traders in securities also engage in the buying and selling of securities both on their own account, thereby realizing income in the form of the difference between the purchase price and the selling price, and also by order and on the account of clients, receiving remuneration in the form of a commission.

We have already spoken above about there still being very few such companies operating as intermediaries in our country. This accounts for the fact that their role will essentially be performed for a long time yet by the stock exchanges and the stock trading divisions of commodity exchanges. Just as our commodity exchanges are largely like large trading centers, so the stock exchanges will figure as large financial investment companies.

#### Growth in Population's Income Analyzed

924A0215A Moscow EKONOMIKA I ZHIZN  
in Russian No 41 Oct 91 Supplement p 6

[Article by I. Pogosov: "Balance Sheet of Personal Money Income and Expenditures"]

[Text] As commodity resources shrink, substantial growth of personal money income is continuing. Over the period January-June 1991, it grew by 132 billion rubles [R], or 44 percent.

More than 40 percent of its growth came from compensation for additional expenditures related to the rise of retail prices and rate schedules. Personal income has been increasing 1.3 points for every percentage point of personal expenditures. The growth of personal money income is R71.5 billion greater than the growth of expenditures (16.3 percent of income), as against a difference of R31.2 billion (10.3 percent) over the January-June period of last year. The growth of personal expenditures for goods and services this year occurred entirely because of the rise of retail prices and rate schedules.

If the April-June period is compared to the same period of last year, personal income rose 63 percent, while

expenditures for goods and services rose 46.5 percent. This resulted on the one hand from a substantial growth of income related to performance of the interrelated set of social welfare measures—compensation, food subsidies, and increased wages and salaries. On the other hand, the rise of prices and rate schedules made it possible to reduce speculative demand in the personal sector for certain consumer goods. Combined with the population's sizable stocks of consumer supplies, this substantially reduced the physical volume of retail sales and paid services compared to last year's second quarter by 24 and 27.5 percent, respectively.

Retail sales are still being adversely affected by the undersupply of commodity resources to the trade sector and the rise of retail prices.

A certain reduction in the physical volume of commodity sales was also related to the shrinking of consumer demand; a portion of goods was used from consumer stocks built up earlier. There was a notable trend toward a slowing down of sales of certain goods whose high prices are not in line with their quality. In many areas, there was a substantial drop in the customer turnover of restaurants, cafes, and other enterprises in the food service industry.

The very large rise of personal money income offsets the constructive results of the price reform. Income is rising because of the measures to increase remuneration of labor in the heavy branches of industry, construction, and rail transportation, the growth of wages in education and health care, the compensation of personal expenditures in the agroindustrial complex, the additional social welfare programs of certain republics, the rise in freight rates, the liberalization of prices of many products, etc.

The anticipated size of resources committed to consumption amounts to all of R750 billion in 1991. In 1990, the recorded fund for remuneration of labor, including kolkhozes and cooperatives, was 39.6 percent smaller and amounted to R453 billion.

As of 1 July 1991, the total amount of personal money income in bank accounts, cash, bonds, and other securities was R637 billion, including R421.8 billion in accounts in branches of USSR Savings Bank and R149.8 billion in cash. What is more, compensation paid on bank accounts amounts to R160 billion, of which more than R30 billion may be used after 1 July 1991. The bulk of the compensation (approximately R130 billion), which has been credited to special accounts, will also exert certain pressure on the consumer market.

The fact that retail prices and rate schedules increase considerably more than envisaged by the reform (one of the reasons was that certain republics did not abide by

the agreement on this question) led in turn to additional decisions that were made to expand compensation payments and also increase wages and salaries in certain sectors of the economy.

The total amount of compensation paid, including payments to pensioners, dependents, university students, and other categories of the population, along with food subsidies, amounted to R54 billion.

In a number of republics, higher rates of compensation payments were established for workers and pensioners, and they also refrained from a sharp rise of prices and rate schedules for certain foodstuffs, children's goods, and fares in municipal transportation. They rejected the procedure established for forming the consumption fund as a function of the growth of the volume of production.

Many republics made additional decisions to establish higher rates of remuneration of labor (compared to the union levels). For instance, minimum wages were raised, and additional benefits in remuneration of labor were established.

When all these measures are taken into account, personal income is estimated in 1991 at a total of R1.18 trillion (amounting to a 1.8-fold growth over last year). Of that amount, the population may commit R971 billion to the purchase of goods in state and cooperative trade and to pay for services. And if in the second half of the year indexing is introduced on income based on the minimum personal consumption budget, then personal money income in 1991 could amount to R1.24 trillion (not counting the indexing of savings), and the amounts which can be offered to acquire goods and services would be R1.31 trillion.

But on the basis of commodity resources we can anticipate retail sales and personal payment for services in a volume up to R890 billion even taking into account the trend toward expanded use of negotiated (free) prices and their increase, which has become noticeable in a number of regions.

Unsatisfied demand for goods and services is exerting immense inflationary pressure on the consumer market. At the beginning of the year, it was estimated at R233 billion. It is expected to increase to at least R400 billion because of the widening of the "scissors" between effective personal demand and commodity resources. The table below presents a forecast of the macroeconomic structure of effective personal demand for consumer goods (including small-scale wholesale trade) and services, as well as the extent to which it is balanced against the anticipated volume of retail sales and paid services (billions of rubles):

Demand	Effective Demand	Retail Sales and Paid Services	Elimination of Commodity Sales and Paid Services From Demand	Degree of Balance, in percentage
For goods and services, total	1,258	890.0	368.0	71
Breakdown:				
For goods	1,135	800.0	335.0	70
Foodstuffs alone	434	288.7	145.3	67
Alcoholic drinks	95	68.8	26.2	72
Fabrics, clothing, footwear	258	188.5	69.5	73
Durables and housewares	348	254.0	94.0	73
For services	123	90.0	33.0	73

Assuming the present trend in the balance between commodities and money on the consumer market, the size of the unsatisfied personal demand will reach R368 billion, and if income indexing is taken into account, it will exceed R420 billion. This is almost 50 percent of the forecast supply of goods and services for the public. In addition, we should take into account the additional pressure on the consumer market of the compensation, frozen until 1994, paid on deposits in the amount of approximately R130 billion.

If the present trend continues in the production of goods and services, in tying up the money resources of individuals, and so on, to extinguish the unsatisfied demand and balance income and expenditures in the second half of the year, for every percentage point of growth of personal expenditures, income should increase by six-tenths of a percentage point at the maximum. If we assume that the growth of expenditures will mainly be related to the rise of prices, then for every percentage point prices rise, the growth of income will not exceed 0.5-0.6 percent. And as this problem is solved over the next two years (1991-1992), no greater than 0.7-0.8 percent.

USSR Goskomstat [State Committee for Statistics] has done calculations of the level of reimbursement of the public for loss to the consumer budget resulting from the 1991 price increase. The calculation was made in two variants: for January-June and for April-June. In both cases, the growth of personal money income (resulting both from direct payments of compensation and also other factors increasing wages, pensions, scholarships, and so on) was compared to the additional expenditures of the public to obtain goods and services resulting from the rise of prices. The growth of personal money income was defined as the difference between the actual amount of money income and possible changes of income assuming persistence of the average per capita level of income in the month preceding the period under consideration. Additional personal outlays were defined as the difference between the actual commodity sales (including services) and the same volume of commodities and services estimated in prices in effect in the previous month.

On the whole, for the first half of 1991 the increase in personal money income calculated by this method was

R81.6 billion, and the additional costs of acquiring goods and services resulting from the rise of prices was R102.4 billion.

The rise of prices over the period January-June, compared to December 1990, was compensated at 80 percent.

In the second quarter, the growth of personal income (resulting from payments of compensation and higher wage rates and higher rates of social welfare payments to the public) amounted to R67.3 billion, additional personal expenditures related to the price reform amounted to R64 billion. Thus, over April-June of this year the growth of personal money income exceeded by 5 percent the additional personal expenditures to acquire goods and services because of the rise of prices since March, the month that preceded the reform of retail prices.

An attempt has been made to estimate the level of coverage of the loss to the public resulting from the rise of prices, beginning in April 1991, thanks to the direct payments of compensation to the public (including compensation of higher food and transportation expenses). The amount of the compensation for the first quarter of 1991 was R54 billion, or 84.4 percent of the additional expenditures of the population resulting from the price reform.

The growth of income continues to be larger than the growth of expenditures. Personal money income, taking into account the amounts of compensation paid on principal as of 1 September of this year (R30.8 billion) and compensation paid on bonds (R8 billion), was R673.5 billion and increased R261.6 billion, or 63.5 percent, over the corresponding period of last year.

Expenditures for goods and services (consumer expenditures) increased 45.6 percent over the first eight months, which is 1.4-fold less than the growth rate for personal money income.

The amount of personal income (including amounts of compensation calculated against principal and compensation calculated on bonds) exceeded expenditures by

about R150 billion (22 percent of income), as against R44.5 billion (11 percent of income) over the January-August period of last year. Inflationary pressure, resulting in a further rise of prices, is continuing.

### Interrepublic Commodity Exchange Profiled

*924A0213A Moscow EKONOMIKA I ZHIZN  
in Russian No 36, Sep 91 Supplement p 7*

[Article by D. Novoselov: "Sights on World Trade"]

[Text] In athletics, there is no such thing as a "separate start." A faster start also signifies faster movement. And so for the exchange, if we make the transition to the language of figures, acceleration means a growth in trading (through the exchange). For the Interrepublic Universal Commodity Exchange [MMB], July was its first month of operation. And immediately the beginning

was good—by mid-August, trading had reached 200 million rubles [R]. An analysis of operation over July and August as a whole is indicative of the exchange's serious intentions.

As we well know, prices have a decisive impact on exchange trading. But on the MMB they have averaged 15 percent lower than on other exchanges. The greatest difference—about 30 percent—is for the metals group. The Interrepublic Exchange does not see shortage as a means of raising prices. On the contrary, the exchange has defined its basic task as protecting the interests of clients. Its effort is aimed at broadening the group of sellers and increasing the volume of offers, which will help substantially to hold back the rise of prices (see the table). In addition, the range of services provided gratis is rather broad, and the charge the exchange collects is low.

Average Prices of Certain Commodities on the Interrepublic Universal Commodity Exchange in July and August

Product Designation	Unit of Measurement	Average Price (rubles)
Cement, M-400	Tons	170.00
Brick	000 pieces	700.00
Steel, low-alloy sheet, G/K, 7-9 mm	Tons	1,950.00
Steel, sheet, 2-3.9 mm	Tons	1,290.00
Steel, sheet, 22-50 mm	Tons	914.00
Steel, galvanized sheet, 0.5-0.8 mm	Tons	7,750.00
Steel angle irons	Tons	2,195.00
Motor gasoline, A-76 N-3	Tons	725.00
Diesel oil, M-10B2S	Tons	1,200.00
Softwood logs	m <sup>3</sup>	430.00
Sawed lumber, softwood boards trimmed and edged	m <sup>3</sup>	950.00
Offset paper	Tons	10,000.00
Hammermill, single-motor, SMD-504	Pieces	14,000.00
Automobile, VAZ-2107	Pieces	107,500.00
Automobile, Volga GAZ-2410	Pieces	230,000.00
Truck, ZIL-131	Pieces	45,000.00

The exchange charge is a strictly differentiated quantity depending on the size of the deal concluded. It averages 0.9 percent (0.2 percent on large deals) and is collected in equal parts from seller and buyer.

At the present time, there are 200 brokers registered on the exchange, mainly representing the interests of the exchange's founders and members. The number of brokers' offices in operation is about 150 and is continuing to grow rapidly. Brokers' seats are being sold successfully. In two months, the value of each of them has risen from R200,000 to R500,000. That is an indication that the number of applications to purchase seats appreciably exceeds the supply, and if we project the general trend toward an increase in their value, the price of a broker's seat on the MMB may grow to several times what it is now.

Aside from the indicators of exchange trading and prices, the structure of exchange trading is also an important factor reflecting the exchange's development. It is no secret that at the outset goods which by no means can be thought of as exchange commodities represented a substantial share in the trading of all exchanges, without exception; business and office machines, durable consumer goods, and so on, are examples. Most of the present large exchanges are trying to clear such commodities out of their trading.

The priority commodity groups for the Interrepublic Exchange are metals and metal fabrications, mineral products (certain building materials and fuels), products of woodworking, and certain products of the agricultural complex, especially grain. The development and

improvement of trade in these groups will later make it possible to integrate into the structure of world trade with the least pain. The Interrepublic Exchange came close from the very outset to solving the problems of specialization and integration into the world structure. When the exchanges were created, the operating experience of the London exchange and a number of American exchanges was taken into account. Although the MMB has not rid itself of nonexchange commodities (their share is approximately half, and that is a "growing pain" of the entire system of exchange trading), the structure of trade on the Interrepublic Exchange, in the opinion of Soviet and foreign specialists—financial experts and economists familiar with the operation of exchanges, proved even in the first month of trading to be closer to the conventional exchange structure. For instance, raw materials now represent 45 percent of the volume, including 20.1 percent for the metals group, which is one of the highest indicators among the country's exchanges. The group of products of woodworking also has a high indicator—15 percent, and the mineral products group has a figure of 12.1 percent (see the table).

By Consolidated Product Groups	In Percentage
Machines and equipment	19.6
Ferrous and nonferrous metals	20.1
Wood and pulp and paper products	15.0
Mineral products	12.1
Chemical products	6.4
Textiles	4.4
Miscellaneous	22.4

The main reason for this is that the exchange's permanent members were well chosen. But it would be quite difficult to enumerate all the members of the exchange. There are more than 100 enterprises. And they are all leaders in their respective branch. They include the largest producers in metallurgy (the Magnitogorsk, Novyy Lipetsk, and Cherepovets Metallurgical Combines, the PO's "Azovstal" and "Norilsknikel," etc.), in petrochemistry (the PO "Bashneftekhizavody," "Nadymgazprom," "Nizhnevartovskneftegaz," "Angarsknefteorgsintez," "Salavatnefteorgsintez," in petroleum refining—the Baku, Guryev, Mozyr, Mazheyskiy, Achinsk, and other refineries). Woodworking and the pulp and paper industry are represented by the TPO "Ust-Ilimsk LPK [Timbering and Lumbering Complex]," the PO "Solikamskbumprom," "Kondopogabumprom," the Kotlas Pulp and Paper Combine, and others. Major industrial associations are represented on the exchange: the PO "Azovmash," "Lakokraska," "Ukrplastik," the joint stock company "Oskoltsement," the Krasnoyarsk Tire Plant, the NPO "Sibkabel," and others. The number of enterprises permanently participating in trading represent practically all the country's regions. Their number approaches 800. In the near future, according to forecasts of the Center for Economic

Analysis and Improvement of Exchange Activity of the MMB, this number will double. In any case, it will approach 1,500.

Today, the optimum orientation of the effort is evident. For all its universality, the exchange intends to integrate and specialize within the limits of a single market. To date, for example, it is less oriented toward products of the agricultural sector. Under an agreement on cooperation with the Russian Agricultural Exchange, this type of product will "go" to the latter, in electronics the aim is for trading to go to a specialized branch of the MMB, the exchange "Microelectronics."

Thus, the MMB represents a market structure which is realistically establishing multiple ties between enterprises in all regions of the country, at the same time taking into account the interests of the republics and the possibility of broad international cooperation.

#### Shatalin, Bunich on Yeltsin's Price Plan

924A0163A Moscow RABOCHAYA TRIBUNA  
in Russian 6 Nov 91 p 1

[Interview with Academician Stanislav Shatalin and Pavel Bunich, corresponding member of the USSR Academy of Sciences and president of the USSR Union of Lessees and Entrepreneurs, by an unidentified TASS correspondent; place and date not given: "Without Fear or Reproach"]

[Text] *An address by republic President Boris Yeltsin at the Congress of RSFSR [Russian Soviet Federated Socialist Republic] People's Deputies, in which he proposed to immediately embark on extensive and radical economic reforms in Russia, continued to concern many people.*

*Some of the republics of the former USSR view these measures as undermining their state sovereignty and are preparing steps to take in response. At times one may hear contradictory opinions on this issue within the community of Russian economists. We are offering the views of well-known economists—Academician Stanislav Shatalin and Pavel Bunich, corresponding member of the USSR Academy of Sciences and president of the USSR Union of Lessees and Entrepreneurs.*

[Shatalin] I definitely support the economic reforms proposed by Yeltsin. However, as a professional I have no right to discuss them until I see for myself the specific government program which will be submitted by the Russian cabinet. For example, it is planned to implement privatization. However, to this end specific indications as to its stages and measures are needed because the consequences can be quite unpredictable if we fail to structure this process, make it balanced, and break it up into stages more or less accurately.

[Bunich] They are now saying that Russia, supposedly, has no program. This is not so.

It is necessary to take into account the following aspect in this instance. The very notion "program" is not being used at all, and apparently will not be used in the future. Everybody is tired of, and sickened by previous "programs" to such a degree that by the use of this word alone, we may undermine confidence in reforms. So now they are referring to a system of measures and actions.

[TASS correspondent] To your mind, when will this program begin to operate? At present, various deadlines are being mentioned. They are saying that it may begin any day.

[Shatalin] I do not have a right to say anything about it because I do not know myself.

[Bunich] I think it will be in two months. "Creeping" price increases occur continuously. This is why I would like to say right away that there will be no gigantic increase in prices for goods. It will occur only with regard to the means of production, i.e., Group A, for which prices have been "locked in" until now, and in which centralized (state) prices account for a considerable segment. To be sure, when the means of production become more expensive, goods produced by using them will also become more expensive, but to a considerably smaller degree. After all, prices for Group B have already been jacked up—sausage costs 162 rubles per kilogram! Further price increases run into a limit not only to political patience but also to the population's demand.

[TASS correspondent] A number of economists have come out against indexing wages after prices are unfrozen. What is your opinion?

[Shatalin] I believe that indexation should be implemented but in a differentiated manner. There are sectors which engage in commercial operations, and there are sectors of the budgetary sphere. People with incomes of various sizes work in these sectors. This is why the "yes or no" thesis cannot be pursued unambiguously. At present, the wisdom of an economic planner is in implementing indexation in a manner which will not bring about hyperinflation.

[Bunich] Why do some economists come out against indexation? There is a great difference between compensation and indexation. Compensation is provided after a price increase, but not at the rate at which prices have increased. Indexation means a proportional wage increase according to the percentage of price growth. At present, many people from Yeltsin's entourage come out against indexation. However, I think that this is not correct.

If there is no indexation the employees of the production sphere will be in a more advantageous situation. Meanwhile, the people in the non-production sphere will have virtually no chance. Why should tens of millions of people be deliberately put in a position of predetermined doom?

[TASS correspondent] Zhirinovskiy is predicting "a wave of popular wrath" which will sweep away the current structures of power early next year. To your mind, will a social explosion in our society indeed ensue if the scheduled reforms turn into a "shock treatment?"

[Shatalin] I would not want to respond to this question using Zhirinovskiy's terms. I would quote the words of Dante: The soul needs to be firm here, and fear should not give counsel. I would rather answer this question by using all my knowledge and experience to make the reform work rather than by horrible predictions.

[Bunich] By that time, unemployment will appear in the production sphere. If unemployment is extensive it will sweep away all reforms. If 20 to 30 million unemployed appear, the case may be considered shut: The government will not withstand it, and everything will come to an end. This is why our Russian ship should be steered so as not to run aground. Unemployment is the most dangerous shoal. "Non-economically accountable" people are the second shoal. There are several dozen million of them in the republic. They are physicians, soldiers, teachers, and retirees. The consequences are going to be very lamentable if they do not have indexation.

[TASS correspondent] What is your attitude toward the fact that Boris Yeltsin decided to head the Cabinet of Ministers himself?

[Shatalin] Very favorable!

[Bunich] I fear for him because he is the last person with a popularity rating that high among the people. I am not aware of the reasons why he resolved to take this step. Other people were discussed by the political council. However, literally several days later, at the congress, he stated that he was prepared to head the Council of Ministers himself. Could this have been caused by the intended candidate turning it down? All I know is that the reforms should be led by an individual with a high public rating.

It is quite possible that this government is doomed, but it will still manage to accomplish something. After all, Yeltsin will be able to advance reforms as no one else. He is the only one who still has a credit of confidence with the people.

#### **Yeltsin's Statement Affects Exchange Rate**

*OW1411044291 Moscow INTERFAX in English  
1415 GMT 13 Nov 91*

[Following item transmitted via KYODO]

[Text] The USSR State Bank's Hard Currency Exchange held a regular day of trading on November 13. The amount of dollars on offer was 8.17 million, and the total of bids for the purchase of hard currency was \$5.44 million.

\$7.09 million was sold at 98.9 rubles per \$1.

According to the exchange officials, \$1 went for 110 rubles at the previous, November 5, day of trading because of nervousness caused by Boris Yeltsin's statement that prices may be freed.

## INDUSTRIAL DEVELOPMENT, PERFORMANCE

**Progress on State Conversion Program Reviewed**  
*924A0206A Moscow EKONOMIKA I ZHIZN*  
*in Russian No 34, Aug 91 pp 2-3*

[Article by Yu. Sizov: "Perestroyka Without Conversion is Unrealistic"]

**[Text] First Deputy USSR Primier, Minister of Economics and Forecasting V. Shcherbakov describes the State Program for Conversion of the USSR Defense Industry:**

Unless the State Program for Conversion of the USSR Defense Industry is carried out, economic restructuring in the USSR is unrealistic. The State Program for Conversion of the USSR Defense Industry has been worked out in accordance with the decree of the 1st Congress of USSR People's Deputies, "On the Basic Directions for the Domestic and Foreign Policy of the USSR," and was approved by decree of the USSR Council of Ministers of 15 December 1990.

This program envisages reorientation of the defense branches of industry for the creation of new and modern civilian production and acceleration of scientific-technical progress in key branches of industry. The practical implementation of measures on disarmament and demilitarization of the country's economy began in 1989.

The initial arrangements for implementing conversion of the defense industry were first defined by the levels of reduction of military expenditures, approved by a decree of the USSR Supreme Soviet Presidium of 21 March 1989, in accordance with which reduction of military expenditures for the period 1988 through 1991 was stipulated at 14 percent, including a 19.5-percent reduction in purchase of arms and military hardware, and a 15-percent reduction in conducting research and development (RDT&E).

Planned expenditures for defense of the USSR in 1989 were R77.3 billion. For 1990 these expenditures were stipulated at R71 billion.

Actual budget appropriations for purchase of arms and military hardware for 1991 as opposed to 1988 (in 1990 prices) decreased by R9.5 billion, or by 29 percent, and amounted to R23.9 billion. Whereas a 15 percent-reduction was planned for budget appropriations for military RDT&E for that same period, the actual reduction in 1991 amounted to R2.75 billion, or 22 percent.

The reductions carried out in these years had the greatest effect on significant reduction of production of the following military hardware: in quantitative terms, output of aircraft in 1991 declined by a factor of 1.8, as compared with 1988; tanks by a factor of 2.1, strategic

missiles by 2.4, ammunition by 2.8, self-propelled and towed artillery by 2.9; and BMP's, BDM's and APC's, by a factor of 4.2.

Production of an entire class of medium and short-range missiles was completely shut down.

At the present time conversion of military production embraces over 600 industrial enterprises of the defense complex (including 460 in the RSFSR, 94 in the Ukrainian SSR, 19 in the Belorussian SSR, and 11 in the Kazakh SSR). The greatest number of enterprises subject to conversion were in the USSR Ministry of the Aviation Industry—118; USSR Ministry of the Defense Industry—115; USSR Ministry of the Radio Industry—103; and USSR Ministry of the Shipbuilding Industry—91.

The State Program for Conversion of the USSR Defense Industry and Development of Production of Civilian Products in the Defense Complex for the period up to 1995 includes five priority, special-purpose programs at the Union level.

The Special-Purpose Program for Development of the Civil Aviation Industry for the period 1991-1995 was formed on the basis of appropriations for scientific-research and experimental design work in the amount of R7.990 million and envisages delivery of civil aircraft and helicopters for the period up to 1995 in the amount of about R22 billion.

In order to implement the program, capital investments are required in the amount of about R4.2 billion and hard currency in an amount of more than R450 million, which will be utilized for re-profiling of the capacities under conversion and the creation of new manufactures.

In accordance with the program, testing and initial operation is envisaged for new highly-economical new-generation aircraft of the IL-96-300, TU-204 and IL-114 type, and the creation and delivery beginning in 1993 of the AN-38, a new aircraft for local airlines, and the development of a new agricultural aircraft.

The program for developing civilian ship-building envisages 1.75-fold growth in the volume of shipbuilding in 1995, including an increase in delivery of civilian vessels for export with a total volume of more than R2 billion over the years 1991-1995. In order to implement the program, capital investments of R700 million are required.

The basic directions of the space program are space communication from stationary and mobile vehicles, space television and navigation, and solution of national-economic problems with the use of piloted complexes and space technology. In order to realize the program, appropriations are required for conducting scientific-research and experimental design work for the 1991-1995 period in the amount of R11 billion, capital investments in an amount up to R700 million, and hard currency for purchase of assembled hardware, advanced

technology and computer technology in the amount of R135 million in non-convertible [invalyutnyy] rubles.

The program for developing means of communication for national economic purposes and in the interest of international cooperation has been directed toward satisfying the needs of the national economy and the populace of the country for communications services. In order to carry it out, in 1991-1995 it is necessary to allocate R4.35 billion for re-profiling enterprises and organizations in the branch, carry out scientific-research and experimental-design work in the volume of R4.6 billion, to include about R2 billion on contracts with clients, and to realize delivery of communications equipment in the volume of more than R16 billion.

A program for developing the USSR Ministry of the Atomic Energy Industry for production of advanced materials, substances and compounds of high purity, microelectronic articles, computer technology and components of fibre-optic technology envisages increasing output by 1995 of precious metals, rare and rare-earth metals, and high-technology chemical and metallurgical production of up to R3.5 billion; especially-pure materials, up to R5.9 billion; and fibre-optic technology of up to R700 million. In order to carry out the program it is necessary to carry out scientific-research and experimental design work in the volume of R1.8 billion and to expend R4.77 billion.

The State Program for Conversion of the USSR Defense Industry is also oriented toward the need for significantly expanding development and production of other very important kinds of national-economic products, above all, those which are socially significant.

Special attention is attributed to expanding output of non-food consumer goods, which will increase by a factor of 1.8 in a five-year period. Planned production increases for 1995 envisage increasing output of television sets to 15 million, including 12 million color sets; 2.4 million video cassette recorders, 7.5 million tape recorders, 8.7 million refrigerators and freezers, and many other goods.

By 1995, production volume of technological equipment for the processing branches of the agro-industrial complex is to increase by a factor of 2.2 in comparison with 1990; and 3,000 specific items in new lines, units, machines and automatic machinery are to be created and put into production. Greater attention has been devoted to creating equipment for low-capacity enterprises situated in agricultural raw-material zones and certain regions of the country.

Production volume of technological equipment for light industry for the five-year period is to increase by a factor of 1.9, which will permit basically satisfying the need for the most important equipment of this kind and reduce imports. Over 1,400 specific items of new equipment will be put into production, which will permit increasing labor productivity by a factor of 1.5-2.5.

Over a five-year period, production of technological equipment for trade and public catering is to expand by a factor of two, in connection with production of new equipment which permits significant expansion of self-service methods in trade and rapid service in public catering.

Conversion will create conditions for significantly expanding production of modern medical equipment, the output volume of which is expected to increase by a factor of 2.5 over a five-year period—to include equipment for intensive therapy, laboratory diagnoses and monitoring treatment, non-medicinal treatment, cardiology and others. Production of high-quality means of rehabilitation, prosthetic and orthopedic devices, wheelchairs and mechanized equipment for the handicapped, will be assimilated.

In the process of conversion of defense enterprises, scientific research institutes and design bureaus have encountered a number of serious problems and difficulties, which will require the joint efforts of Union, republic and regional administrative organs to overcome, as well as the working collectives themselves.

Radical reduction of military spending has placed many enterprises of defense industry branches in a severe financial situation. The decline in production volume for arms and military hardware has led to a reduction of overall profits for the enterprises undergoing conversion and a reduction of profits on production from 16.9 to 11.8 percent over the 1989-1991 period. Moreover, this trend is characteristic not only of defense, but also civilian production. Enterprises have been forced to bear additional expenditures connected with acquisition of material resources at contract prices which exceed fixed wholesale prices, accepted under estimated prices for defense production in the amount of R5.3 billion (1991).

Also having a negative effect on the financial condition of enterprises in the defense complex is the growth of incomplete production of military products and a surplus of valuable goods and materials, which was formed as a result of the conversion and which are subject to being written-off in connection with the impossibility of employing them in the national economy. The total value of these remnants in 1990 was about R2 billion. In recent times, more than 450 enterprises have begun to operate at a loss or have become unprofitable.

A negative trend has been observed for loss of production and scientific potential in the defense complex. According to data from an investigation by the USSR State Committee for Statistics, for the defense complex as a whole, out of 300,000 workers released since 1990 in connection with the conversion, 228,000 persons, or 76 percent, have found jobs at those same enterprises for production of civilian goods. An anticipated 380,000 workers are expected to be released in 1991 in connection with conversion, while at the same time about 70,000 persons will become unemployed.

In 1990 and 1991, as a result of reduction in the volume of military RDT&E, a negative trend has been observed in the exodus of scientific cadres from the defense complex. Whereas in 1990 the defense complex lost about 40,000 workers at scientific-research institutes and design bureaus, in 1991 more than 90,000 persons are expected to leave. This year over 300 defense scientific-research institutes and design bureaus will need the financial support of the state in the maintaining their wage funds.

In order to alleviate the complex financial situation of defense scientific-research institutes and design bureaus, Decree Number 268 of the USSR Cabinet of Ministers of 19 May 1991 authorizes the defense ministries to stipulate as production-operating costs the expenditures for financing common-branch and inter-branch RDT&E in the amount of 1.1 percent. Ministries of the defense branches of industry have been authorized by USSR Council of Ministers Decree Number 1278 of 15 December 1990 to organize, with the consent of subordinate enterprises, centralized funds, and to use them for financing RDT&E for civilian purposes common to the branch.

Considering the fact that no fund for stabilizing the economy has yet been established in the USSR, the measures indicated may have only an insignificant effect on preserving the scientific-technical potential of the defense complex.

The problem of effectively transferring and introducing the scientific-technical achievements of the defense complex to the national economy is an urgent one.

Within the State Program for Conversion of the USSR Defense Industry, a list of the scientific-technical achievements of defense enterprises has been drawn up, recommended for introduction to the civilian sector, including automated systems, computer complexes, technological processes, new materials and others. Recommended for wide use are 135 scientific-technical achievements, of which 120 were prepared for transfer in 1990 and 15 for 1991 and subsequent years. At the very same time it must be stated that the true effect of the use of new scientific-technical solutions in the national economy is extremely small.

Under conditions of conversion and development of market relationships, it is necessary to create a new effective mechanism for the use of the scientific-technical achievements of the defense complex, including the support of genuine economic interest, purposeful planning for the creation of technology for "dual" use, and preparation of manufactures for their assimilation in the national economy.

The problem of social protection of the workers in conditions of conversion is of paramount importance, as is its legal support.

It must be noted that questions of social protection of the workers and the allocation of the appropriate subsidies and compensation were resolved by the USSR Government in the course of carrying out the conversion in an uncoordinated manner, and with considerable delay, which to a certain extent has caused difficulties in the manufacturing activities of enterprises and lack of confidence among the working collectives in the prospects for future development.

**Defense Complex in Structure of National Economy, 1990\***

1.	Proportion of Fixed Production Assets of the Defense Complex to the Cost of Fixed Production Assets for the National Economy as a Whole, percent.	6.4/12.6**
2.	Active Portion of Fixed Production Assets, percent.	
	In the Defense Complex	59
	In Civilian Machine-Building	61
3.	Proportion of Imported Equipment in the Active Portion of Production Assets for the Country as a Whole (According to Results of Latest Census), percent.	22.2
	In the Defense Complex	17.9
	In Civilian Machine-Building	27.2
	In the Chemical-Forest Complex	35
4.	Average Wages for the Country as a Whole, Rubles.	268.0
	In the Defense Complex	294.6
	In Civilian Machine-Building	278.3
5.	Consumption by Defense Complex of Basic Kinds of Metal Products, as Compared to their Production in the Country, percent.	
	Rolled Ferrous Metals	9.8
	Sheet Steel, Cold Rolled, for Construction	20.5
	Steel Pipe	5.6
	Rolled Aluminum	53.3
	Including, for Manufacture of Special Products	

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	Rolled Ferrous Metals	5.6
	Sheet Steel, Cold Rolled, for Construction	5.6
	Steel Pipe	2.2
	Rolled Aluminum	23.6
6.	Consumption by Defense Complex of Polymer Materials, as a Percentage of their Production in the Country, percent	
	Polystyrene and Copolymers of Styrene	38.1
	Polyethelyne	7.1
	Polypropylene	15.7
	Including, for Manufacture of Special Products	
	Polystyrene and Copolymers of Styrene	2.7
	Polyethelyne	1.8
	Polypropylene	1.6
7.	Participation of Defense Complex in Supplying the Needs of the National Economy for Product Lines Not Included as a Priority in the State Program for Conversion, percent.	
	Machine-Tool Building	15
	Diesel Engines and Diesel Generators	13.3
	Drilling Rigs for Extraction of Oil and Gas	32.4
	Mainline Freight Cars	29.8
	Streetcars	86.4
	Passenger Cars	11
	Electric Ranges, Domestic	72.2
	Optical Apparatus, Computer Hardware	85
	Tractors	13.6
	Cranes with Pneumatic Tires	59.5
	Rolled Aluminum	93
	Rolled Titanium	70
8.	Proportion of Production of Non-Food Consumer Goods as Compared with their Total Production in the Country, percent.	24.9
9.	Participation of Defense Complex in Supplying the Populace with Non-Food Consumer Goods, percent.	
	Radio Receivers	100
	Television Sets	100
	Tape Recorders	98
	Video Cassette Recorders	100
	Refrigerators and Freezers	92.7
	Sewing Machines	100
	Washing Machines	66
	Electric Vacuum Cleaners	69.4
	Engine Components and Motor-Cultivators	85.6
	Motorcycles	54.9
	Bicycles	42.9
	Cameras	100

\*From USSR Ministry of the Atomic Energy Industry

\*\*To cost of fixed production assets in industry

### Development of Leased Enterprises Viewed

924A02164 Moscow *EKONOMIKA I ZHIZN*  
in Russian No 35, Aug 91 p 3

[Article by A. Zubkova, deputy director of the Scientific Research Labor Institute, doctor of economic sciences, and V. Martynov, department head, doctor of economic sciences: "Leasing: Results and Problems"]

[Text] These figures indicate the spread of leasing as a form of economic activity: In 1990, leased enterprises had a work force of 3.6 million, and the volume of their output (products, jobs, and services) was about 125 billion rubles [R]. Leasing is most widespread in the trade sector and food service industry (11.8 percent of the labor force), motor transport (10.9 percent), and everyday services to the public (9.6 percent).

In industry, the share of the labor force at leased enterprises is noticeably lower—4.6 percent, but that labor force does represent 1.7 million persons—more than in any other sector.

The share of leased industrial enterprises in the total volume of output is increasing. Whereas in 1989 they manufactured only 2.7 percent of total output, this figure is now 7 percent. The share of leased enterprises in the trade sector and food service industry in the total volume of sales in 1989 was 5.7 percent, and this year it was 23 percent.

Even so, leasing, in our view, still has not begun to spread at a fast pace. There are quite a few reasons. The main one is that the higher-level authorities are using every device to hold back the transition of enterprises to leasing and are trying to hold on to the management levers they once had.

There is also evidence that many people have lost the habit of working strenuously and of carrying the burden of independence and economic accountability.

As shown by a sociological survey conducted by the Ukrainian Scientific Research Labor Institute in a number of enterprises, most of the respondents expressed a dissatisfaction with the transition to leasing (the Kondrashevo Sand Quarry—60.3 percent of the respondents, the Stakhanov Railroad Car Building Plant—65.8 percent, and the Lutugino Rolled Steel Girder Plant—66.7 percent). It turned out that workers and also a sizable proportion of specialists were not clear about the nature of leasing, nor did they believe in its effectiveness.

Another of the important reasons is the failure to solve problems in the organization of supply and development of open wholesale trade.

#### Operation Differs From Place to Place

And how are the collectives of leased enterprises doing? Figures of USSR Goskomstat [State Committee for Statistics] indicate that the situation is still unclear. They

have somewhat better performance indicators than collectives using other forms of economic activity, but the difference is slight. Take, for example, performance of contractual obligations related to product delivery. In industry as a whole, they were performed at a level of 98.6 percent in 1989, including 99.2 percent at leased enterprises. In 1990, the figures were 97.8 and 98.7 percent.

In 1989, leased enterprises surpassed the industrial enterprises surveyed (as a whole) with respect to the growth rates of the volume of output (products, jobs, and services) computed in comparable prices—105.8 percent, as against 101.7 percent. In 1990, the figures were 103.4 percent and 98.8 percent.

The surveys conducted indicate certain adverse results in the performance of leased enterprises. Among them, we need to mention first of all that the growth of the average monthly wage has in many cases been rising faster than labor productivity. For instance, in industrial enterprises in Odessa Oblast which have been converted to leasing, the expected sharp increase in the volume of marketed output did not occur. But economic incentive funds "swelled" appreciably. Their growth exceeded several times over the increase in the volume of production. What is more, the growth rate of labor productivity at leased enterprises proved to be lower than in industrial enterprises of Odessa Oblast as a whole (6.3 percent as against 6.8 percent). Yet the average wage increased at those enterprises to a considerably greater extent—21.1 percent as against 10.2 percent. At 10 leased enterprises, work discipline deteriorated and worktime losses increased. Personnel turnover remains high.

Evaluating the results given above in the performance of enterprises (subdivisions) operating under the terms of leasing, we must bear in mind that they have been influenced to some extent by such factors as the unbalanced nature of our economy, the decline of discipline in performing contractual obligations, inflation, shortages of raw materials and supplies, and so on.

What are the main factors influencing the initiation and development of leasing relations?

#### Organization of Work

It would be logical to suppose that work collectives operating under the conditions of leasing have been trying to increase income, are trying above all to activate untapped potential related to improving the organization of work and the setting of work quotas. In actuality, as shown by the surveys, so far sufficient attention has not been paid to this factor in leased enterprises.

In the best cases, this effort is only beginning as leasing relations develop. During the period of their early evolution, it is frequently limited at the enterprises to discovering and prompt performance of those improvements which do not require any sizable material or financial outlays.

But there are also other examples indicating a creative approach to the opportunities presented to collectives. The decision of the work collective of the association "Work Clothing" to make the transition in 1990 from a two-shift to a three-shift operating schedule, at the same time shortening the length of the workweek to 38 hours, is quite indicative, for example. They pursued the same goal in working out and applying a schedule calling for two days off after four working days. Certain changes were also made in work quota setting. Attention should be paid to the fact that local standard time allowances for performing operations, which were used previously and were established on the basis of time studies, are being replaced by more rigid time allowances set at the sector level.

As shown by the surveys, at certain leased enterprises there have been changes which at first glance evoke adverse assessments. They include the lengthening of the workday, increasing the intensity of work, and violation of safety rules. This is largely related to the low supply of capital relative to the size of the labor force. A growth of the volume of output on worn-out equipment can be achieved only by increasing the time worked, by extending service zones, by combining operations. More strenuous work under such conditions means that the workers become more fatigued without compensation, and the morbidity rate increases.

#### Management

Another typical feature of the development of leasing relations is that not only vertical authorities, but also economic management units operating vertically are being drawn into the partnership. The movement of the center of gravity of production and economic relations from the vertical to the horizontal is resulting in the formation of diverse organizational forms of enterprises—concerns, firms, consortiums, and complexes, which typically are highly stable, both in the sphere of resource supply and also the marketing of products.

The use of leasing relations will facilitate and necessitate qualitative transformations in the system of enterprise management. These transformations are fundamental in nature, management connections are changing—once the connections of vertical subordination, they are

becoming predominantly horizontal and based on contract and value. This is bringing about substantial changes in the way organizational structures of leased enterprises are set up.

#### Cost-Accounting Income

Cost-accounting income has been formed at leased enterprises in the same way as at enterprises which have been applying the second model of cost accounting, that is, by subtracting from revenues from sales material and equivalent costs, taxes, rent, insurance payment, the charge on labor resources, and interest paid on credits.

In leased enterprises, cost-accounting income is distributed to economic incentive funds and remuneration of labor at rates worked out independently as a rule. Different approaches are being applied to determination of that share of resources which goes for remuneration of the labor of the workers. Certain collectives, using the rights they have been granted, which are broader than those of others, in the formation of cost-accounting income and its use for consumption (including remuneration of labor) and accumulation, have made the transition to leasing relations and have been seeing that wages grew faster than the economic results achieved, and the remuneration fund at those enterprises amounted to more than 90 percent of cost-accounting income (the Vidnoye Bus Enterprise, the motor transport enterprise "Avtotaksoservis" in Odessa, certain department stores of "Mostorg," and so on).

At other enterprises, a more optimum ratio has been formed between economic incentive funds and remuneration of labor, and work collectives have therefore been motivated to improve the technical aspects of production and the social and everyday conditions for the workers. The high share of the fund for remuneration of labor in cost-accounting income is explained in a number of cases by the fact that the enterprises are unable for objective reasons to use funds in the social development fund and fund for development of production, science, and technology, and they must spend them for remuneration of labor. This is one of the reasons why at many leased enterprises, as already noted, the rise of wages far exceeds the rise of labor productivity.

## AGRO-ECONOMICS, POLICY, ORGANIZATION

### Private Production Tracked; Livestock Product Status

#### Private Livestock Product Production

924A0166A Moscow EKONOMIKA I ZHIZN  
in Russian No 6, Feb 91 p 10

[Unattributed article: "In the Mirror of Statistics: Private Subsidiary Farms of the Population"]

[Text] In the press recently there has been more and more talk about peasant (farmer-run) farms and various kinds of lessees. And the private farms of kolkhoz [collective farm] workers, sovkhoz [state farm] workers, and other citizens have receded into the background and they have simply been forgotten. But the readers of the weekly are interested in what is happening to them now, what they have at their disposal, and how much output they produce. These questions are answered by the data of USSR Goskomstat [State Committee for Statistics] given here.

About two percent of the fixed production capital of agriculture is to be found on private subsidiary farms belonging to the population in the country. As of the beginning of this year it amounted to (not including livestock) 6.2 billion rubles [R]. During 1986-1989 these farms produced almost one-fourth of the overall volume of agricultural products, including 18.3 percent of the crop growing products and 28.7 percent of the animal husbandry products. Last year they produced 30 percent

of the meat, 27 percent of the milk, 59 percent of the potatoes, 30 percent of the vegetables, and 58 percent of the fruits and berries.

The average size of a farm stead plot of a kolkhoz worker (according to the materials from a one-time selective investigation) was 0.28 hectares, of workers and employees living in rural areas—0.13, and those living in cities and villages of an urban type—0.02 hectares. Moreover, in recent years there has been further development of collective orchard growing and gardening. In 1989, 12 million families of workers and employees had collective orchards and 6.5 million had collective gardens.

The subsidiary farms of the population are characterized by a great diversity of products that are produced on each individual farm. Labor on them is predominantly manual. There are practically no means of small-scale mechanization. Far from the best land is allotted for subsidiary plots and the livestock sold to them is frequently of poor quality.

But under these conditions the farm land is used extremely effectively. The productivity of potatoes, vegetable crops, and fruit and berry patches is considerably higher than in the public sector. In 1989, as compared to 1988, the production of potatoes on private subsidiary farms increased by 5.4 million tons, and fruits and berries—by 0.9 million tons. At the same time there was a certain decrease in the production of vegetables, melon crops (for food), and grapes.

Private subsidiary farms account for one-fifth of the cattle, 32 percent of the cows, 19 percent of the hogs, 25 percent of the sheep and goats, 34 percent of the poultry, and 16 percent of the horses. The production of the main animal husbandry products is characterized by the following figures.

	Average for year		Including		1986-1989 as percentage of 1981-1985
	1981-1985	1986-1989	1988	1989	
Meat (slaughtered weight), millions of tons	5.3	5.7	5.6	6.0	107
Milk, millions of tons	27.8	28.6	28.8	29.4	103
Eggs, billions	22.1	21.9	21.8	22.4	99
Wool, thousands of tons	110.3	123.8	123.0	132.2	112

In 1989, 40 percent (12 million) of the private subsidiary farms had no livestock at all, 56 percent (17 million) had no cattle, 62 percent (19 million) kept no cows, 72 percent (22 million) no hogs, and 80 percent (24 million) no sheep.

During the period since 1980 in the country as a whole the number of head of livestock on private subsidiary farms changed as follows (millions of head as of the end of the year):

	1980	1985	1988	1989
Cattle	23.0	24.1	23.8	24.2
including cows	13.2	13.2	13.0	13.2
Hogs	14.0	13.9	14.5	15.2
Sheep and goats	30.2	33.1	34.7	36.3
Poultry	387.7	389.2	397.9	410.8
Rabbits	18.5	14.3	9.8	10.0

Difficulties with the acquisition of feeds and shortages of them have a negative effect on the productivity of cattle and poultry in the individual sector. In 1989 the average milk yield per cow on farms of the population was 2,235 kilograms, which is 618 kilograms less than on public farms.

One must not forget about the fact that a large role in the production of animal husbandry products on private subsidiary farms is played by the aid rendered to them by the kolkhozes and sovkhozes in providing animal feeds and also acquiring young cattle and poultry. In 1989 they were sold 21.8 million piglets (4.7 million head more than in 1985) and 2.4 million calves (1 million more). The kolkhozes and sovkhozes sold and allotted to the private farms 9.7 million tons of hay and 6.983 million tons of straw. Yet during a number of recent years they have failed to fulfill the plans for the sale of concentrated feeds to the population and less than one-third of the orders for these from trade are being filled.

There are still certain difficulties with the sale of surplus agricultural products to the population. In 1989 consumers' cooperation organizations purchased from the population 58 percent of the surplus potatoes, 52 percent of the vegetables, 73 percent of the fruits, 66 percent of the melon crops, and 62 percent of the grapes.

The inadequate provision of inventory has a negative effect on the level of production of products on private subsidiary farms of the population. Many kinds of small-scale mechanization for subsidiary farms are not being produced. The plan for the output of garden sprinklers, manual pumps for wells, power units, scythes, and shovels was not fulfilled in 1989.

Orders from trade organizations for garden structures are not being filled. The population is poorly supplied with local construction materials. Problems of transportation, trade, and medical services, water supply, electricity and gas supply, telephone services, and road construction are not being resolved satisfactorily in gardening societies.

#### **Private Plot Production Potential**

924A0166B Moscow EKONOMIKA I ZHIZN  
in Russian No 40, Oct 91 p 15

[Unattributed article: "In the Mirror of Statistics: The Potential of Private Subsidiary Farms"]

[Text] Behind the debates on the advantages and shortcomings of various forms of management of the land, the development of farming, and the fate of the kolkhozes and sovkhozes, private subsidiary farms belonging to the families of kolkhoz and sovkhoz workers have somehow been left in the shadows, although this is a considerable source of food resources.

According to data of the USSR Goskomstat [State Committee for Statistics], the population owns more than 38 million farms in the country. They use 8.2 million

hectares of land, including 6 million hectares of plowed land. Moreover, 12 million families of workers and employees have collective orchards covering an area of more than 800,000 hectares, and 6.5 million families have collective gardens (about 500,000 hectares).

A selective study conducted in 1989 showed that farmstead plots were owned by 96 percent of the kolkhoz workers, 98 percent of the families of pensioners, and 78 percent of the families of workers and employees in rural areas. The average size of the farmstead plots of the kolkhoz workers is 0.29 hectares, pensioner-kolkhoz workers, 0.32 hectares, and families of workers and employees, 0.13 hectares.

As of the beginning of the year on the farms belonging to the population there were 24.9 million head of cattle (22 percent of the overall number of head in all categories of farms), including 13.6 million cows (33 percent). They have 16.4 million hogs (22 percent), 38.1 million sheep and goats (27 percent), and 419.6 million head of poultry (35 percent). As compared to 1985 the number of cattle increased by 838,000 head, hogs by 2.471 million, and sheep and goats—5.018 million head. As we can see, there was a fairly significant growth of the number of head of animals on private farmsteads.

Last year private subsidiary farms belonging to the population produced the following: meat (in slaughtered weight)—6.1 million tons; milk—30 million tons; eggs—22.2 billion; wool—140,000 tons; potatoes—41.2 million tons; vegetables 8.7 million tons; fruits and berries, including citrus—5.1 million tons, and grapes—1.2 million tons.

It is of some interest to give the following figures as well. In 1990 the revenues from private subsidiary farms received by families of kolkhoz workers amounted to an average of R1,808 (26 percent of the total income); sovkhoz workers—R1,208 (17 percent), and kolkhoz pensioners—R997 (41 percent).

#### **Growth of Production of Animal Husbandry Products on Private Subsidiary Farms of the Population:**

	1985	1990
Meat (in slaughtered weight), millions of tons	5.4	6.1
Milk, millions of tons	27.9	30.0
Eggs, billions	21.5	22.2
Wool, thousands of tons	110.6	140.0

Incomes from crop growing products increased not mainly as a result of increased production but as a result of higher prices. For example, in 1990 on farms of kolkhoz workers they grew 11 percent fewer potatoes than in 1985, vegetables and melon crops 14 percent, and fruits and berries 25 percent; but their incomes increased as a result of higher prices by 19 percent, 29 percent, and 18 percent, respectively.

**Share of Private Subsidiary Farms of the Population in Production of Basic Agricultural Products in 1990 (in percentages)**

Meat	31
Milk	28
Wool	29
Fruit and berries	54
Grapes	21
Vegetables	33
Potatoes	65
Eggs	27

There was a considerable increase in the incomes of private farms of kolkhoz workers from animal husbandry products. As compared to 1985, they increased by 73 percent, and in the families of sovkhoz workers, by 63 percent. The receipts of animal husbandry products in kind from private subsidiary farms also increased, but their growth rates are considerably less than those of other incomes.

Sovkhoz workers raised on their subsidiary farms 2.3 times more than they used for private consumption, their milk production satisfied their own needs by 86 percent, eggs by 64 percent, meat by 51 percent, vegetables and melons by 64 percent, and fruits and berries by 71 percent.

In 1990 the private subsidiary farms of kolkhoz workers produced three times more potatoes than were used for private consumption, vegetables and melon crops 20 percent, fruits and berries 44 percent, and milk 10 percent. The production of eggs satisfied the needs of private consumption in full, and meat production 73 percent.

Some of the products produced on private subsidiary farms are sold by the population to state and cooperative organizations and on the kolkhoz market. According to calculations of USSR Goskomstat, in 1990 the population sold about 260,000 tons of meat and lard, 7.6 million tons of milk, 1.1 billion eggs, 2.5 million tons of potatoes, 1.4 million tons of vegetables and melon crops, and 1.2 million tons of fruits and berries.

Thus private subsidiary farms of the population comprise a large proportion in the formation of the country's food supply. All-around aid to farmsteads in providing various means of mechanization and construction materials, allotting a large quantity of concentrates, providing unimpeded access to hayfields and pastures, and providing dairy cattle and poultry will make it possible to reveal more fully the possibilities of private subsidiary farms of the population.

**Third-Quarter Production**

924C0166C Moscow TORGOVAYA GAZETA  
in Russian 29 Oct 91 p 2

[Unattributed article: "Statistics. Who and How Much. And to Whom?"]

**Deliveries to the Unionwide Fund of Animal Husbandry Products in January-September 1991**

	Meat products actually delivered in January-September, thousands of tons	in percentage of January-September
Total delivered	1,058.9	90
including:		
RSFSR	443.0	117
Ukraine	264.0	69
Belorus	169.6	92
Kazakhstan	148.7	92
Moldova	28.5	53
Kyrgyzstan	5.1	57
	Dairy products, thousands of tons	in percentage of January-September
Total delivered	6,265	68
including:		
RSFSR	3,343	66
Ukraine	1,357	55
Belorus	1,367	82
Kazakhstan	151	75
Moldova	47	54
	Egg products, millions	in percentage of January-September
Total delivered	4,159.2	91
including:		
RSFSR	3,391.5	94
Ukraine	552.6	73
Belorus	53.0	85
Kazakhstan	115.0	100.3
Moldova	47.1	87

According to figures from the USSR State Committee for Statistics.

Statistics show precisely what and how much. But, as before, they say nothing about—to whom. Who is dividing all this up and how? It is impossible to fully assess the situation without answers to these questions.

But it is obvious that we are all feeding one another, in the direct and indirect sense. For, in addition to milk and meat, there are also grain and cotton, and coal... Let us proceed from that.

**PRAVDA Urges Allocation of More Land to Private Farms**

*PM181100791 Moscow PRAVDA in Russian  
13 Nov 91 p 1*

[I. Totkiy article: "Stingy Enough To Make You Weep"]

[Text] How many swords were crossed in debates about whether to give people land to grow fruit and vegetables and support the owners of subsidiary plots and peasant farms or put insuperable barriers in their way? They did what was easiest—they put up barriers. But you cannot stop life, it has its own demands and laws.

No matter how long and persistently they harried personal subsidiary farming and stifled it with requisitioning and taxes, it survived despite everything. Thirty-eight million families carry it out on their tiny, almost miniature plots. Why miniature? Simply because the average size of the subsidiary plot of a kolkhoz member's family is only 0.29 hectares, a kolkhoz pensioner has an average of 0.32 hectares, and a rural worker and employee has even less—0.13 hectares. As the USSR State Committee for Statistics reports, 8.2 million hectares have been allocated to them. Another 18.5 million families of workers and employees have collective orchards and truck gardens amounting to roughly 1.3 million hectares. These plots are miserly. And yet the country has 225 million hectares of plowland alone.

What can rural inhabitants grow on their miniature plots, what food can they produce for themselves, and what can they supply to consumer cooperatives and the market? As this year is not over yet, let us look at last year's results. For example, the following was obtained from personal subsidiary plots: 6.1 million tons of meat (slaughtered weight), or 31 percent of the total output of all categories of farms; 30 million tons of milk (28 percent); 22.2 billion eggs (27 percent); 41.2 million tons of potatoes (65 percent); 8.7 million tons of vegetables (33 percent); and 5.1 million tons of fruit and berries, including citrus fruit (54 percent). If we place this produce on the scales we immediately see that personal subsidiary farming is indeed personal, but it is far from being subsidiary. It gives substantial support to public-sector farming since it provides a sizable amount of additional produce to our dinner table.

Let us not forget that the owners of personal subsidiary plots basically use manual labor and work there in their spare time. In the families of kolkhoz members this takes up fours hours per day on average, in the families of sovkhoz workers two and one-half hours. And it is mostly pensioners and youngsters who have to look after them. They have virtually no mechanical aids. And where would they get them from when equipment, particularly small-scale equipment, cannot be bought anywhere and fertilizer and seed are not to be had. You have to make do as best you can. People rely on themselves, on their own initiative and native wit. They

devise various kinds of home-made equipment, but mostly they rely on muscle power applied to spade and hoe.

And although their work is tough, it does at least augment the rural family budget. In 1990, for example, the family of a kolkhoz member earned 1,808 rubles [R] from its personal subsidiary plot, a sovkhoz worker R1,208, and a kolkhoz pensioner R997.

It turns out that personal subsidiary farming, restricted to stingy hundredths of a hectare and denied the care and attention of the state, is a case of good things coming in small packages. And perhaps the above figures will persuade zealous officials at the center and at local level of the incontrovertible truth that placing obstacles in the way of the owners of personal homesteads, horticulturalists and truck farmers, leaseholders, and private farmers is like spitting into the wind.

The USSR State Committee for Statistics recently reported in a press release that an extra 3.8 million hectares was "carved out" for agricultural cooperatives, peasant farms, horticulturalists and truck farmers, and personal subsidiary plots between 1 November last and 1 July this year. They now have 14.6 million hectares, or 1.4 percent of the total land area of agricultural enterprises and farms. This is essentially a drop in the bucket. People expect a different kind of generosity from powers that be that are engaged in land reform.

It is high time peasants were provided with land. Not a meager plot, but a proper parcel of land, as prescribed in the legislative decisions adopted by the parliaments of the sovereign republics. You will then see things appearing on the store counters and the customers will cease to be intimidated by their sterile emptiness.

**REGIONAL DEVELOPMENT****Crop Procurement Incentives Explored**

**Kulik Says Harvest-'90 Checks Will Be Honored**  
*924A0185A Moscow SELSKAYA ZHIZN in Russian  
31 Oct 91 pp 1-2*

[Interview with RSFSR Minister of Agriculture and Food Gennadiy Vasilyevich Kulik by A. Kamanov: "All Harvest-'90 Checks Will Be Honored"]

[Text] The Russian Soviet Federated Socialist Republic [RSFSR] Ministry of Agriculture and Food and the Russian Union of Consumers' Cooperatives [Rospotrebsoyuz] have officially announced that Harvest-'90 checks issued last year to the peasants for agricultural output will remain valid until the end of this year. This is now the third extension. But whereas previously the expectation regarding the deficit promised by the Russian Government had an extremely precarious future, light has now appeared at the end of the tunnel: In 71 Russian oblasts

and krays the checks have finally started to be honored. Meanwhile, however, one-fourth of the goods due have not been received.

When preparing for the interview on this urgent problem, RSFSR Ministry of Agriculture and Food G.V. Kulik said this: "I would ask that in your newspaper you clearly state this: All, and I emphasize this, absolutely all checks will be honored."

[Kamanov] Forgive me, Gennadiy Vasilyevich, but assurances on this subject have been given repeatedly. We would like something more specific—deliveries of goods, realistic time periods.

[Kulik] We shall get to the specifics. First I would like to say a few words about the situation and the turbulent time when the government decision was adopted on the Harvest-'90 program. Let me remind you that exactly one month had elapsed since the proclamation of Russian sovereignty. Then there was hope that the republic would be able to realize quickly and fully the principle of sovereignty that had been proclaimed.

To find one billion rubles [R] for the checks—the target seemed quite attainable in that state of euphoria. Moreover, Russia's share of all hard currency earning was 76 percent. If the Russian Government had had the opportunity at that time to dispose even of half that sum, today much here would have been resolved.

But... A year passed in the struggle against the former center in the person first of Ryzhkov and then Pavlov. Neither of the Union premiers came close to granting us a license to export raw materials.

Notwithstanding, I believe that the decision on the checks was correct. I blame neither myself nor the premier of the time, Silayev. Naturally, one thing is now being requested of the peasants—just a little more patience.

[Kamanov] Well, the peasants are not accustomed to wait for years for what is promised them. That is our way, the Russian way.

[Kulik] You know, one "gift" did very much upset me. Somehow at one of the meetings I received a indignant note from the hall. And with it an "attachment"—a check for R50. I was very stung by that. I said to the owner of the check: "Thank you. I shall most certainly be buying myself something with this. You will see."

A total of R10.26 billion have been issued throughout Russia. The commodity backing today is R2.1 billion. Of these R2 billion or more, R117 million are light cars. Furniture and motorcycles worth R473 million have been sold to rural people..

In addition, we have scraped together credits of \$500 million in foreign banks. That hard currency will, I hope, cover the entire Harvest-'90 program. As far as time periods are concerned, I think that most checks will be used in November and the first part of December.

Although to be honest, I do not exclude the possibility that we may "go on a bit" into January of next year.

[Kamanov] That is, you are again reserving to yourself the right to yet another—the fourth—postponement, is this not so?

[Kulik] But surely you understand that this is not being done specially! In the situation that prevailed a year ago the government assumed a colossal burden. Today the situation is even more complicated because all of industry is collapsing. So let us meet our obligations with respect to the checks, even if it is late. But surely this is an addition, some support for the countryside. And it is better than nothing.

For example, this year we planned to sell 100,000 light cars as reciprocal sales for grain. So what if in fact we are still offering 80,000? What then, is this deception again? You want to know how many light cars the countryside received this year? Just 12,000. If we realize this program only 80 percent, then the countryside will still have six times more cars than it had before. And for that, the minister is the ugly one, if you will pardon the expression. Correct, it is necessary to fight for this, but in a well-considered way, and at least once. For example, they are now cursing me in the press for the disruption of the plan for gasification of the countryside. And how! Compared to last year we did almost twice as much. We are fulfilling the plan 90 percent, and that is immediately a major leap forward. Well, I am adopting a less stepped-up program for next year so that they will stop cursing me. The life of the rural population is improving, is it not?

[Kamanov] Gennadiy Vasilyevich, as far as I know the RSFSR Council of Ministers at one time approved two firms for the role of main suppliers of imports for the checks, namely the Istok Foreign Trade Association and the Rossiyskiy Dom Company. Both companies have been incapable, to put it mildly. The question is, who chose them?

[Kulik] I have been in the government a year and three months, and I arrived after the decision had already been made. It was the initiative of the leaders of those companies themselves. With a promise from the Council of Ministers—to help with resources for export—each took it upon itself to provide imports to the tune of \$350 million. Almost the entire program was covered in this way. But... both of them simply failed to meet their obligations. The managers of those companies are not in the country now. We had to switch to other suppliers to move things along, as they say. If anyone is interested in knowing my assessment of Istok's activity, it is extremely unsatisfactory.

[Kamanov] Nevertheless, the Tarasov and Ryashentsev affair is still alive. I have learned from absolutely reliable sources that Istok and Rossiyskiy Dom are now engaged in the resale of imports they received for the checks, at

fabulous prices. And not always to people in the countryside. This cannot be called anything but economic gangsterism.

[Kulik] I am aware of this. They are trying to sell the imports at five, six, even ten times more than the agreed prices. And they explain this by the fact that they supposedly talked with specific territories, and they agreed to it. Because of the prices Rospotrebsoyuz is now waging a war against Istok and Rossiyskiy Dom. The new thing in the situation is that I am unable to ban the two private companies, which is what they are, from engaging in commercial activity. We have warned them officially that commerce does not count as part of the program. If tomorrow someone comes to me from Istok and says, for example, that goods worth \$10 million have been delivered to Vladimir Oblast, but at commercial prices, then as far as I am concerned there are no such goods. I cannot consider that we have met our check obligations to the people of Vladimir Oblast.

To be honest, I do not know this "kitchen" very well. An investigation by the deputies was recently initiated against Istok. I do know that the law enforcement organs have also been instructed to check on the activity of that company. Let us wait for the results. Meanwhile, however, neither Istok nor Rossiyskiy Dom has been excluded from fulfillment of the program.

[Kamanov] Is there any subdivision in the ministry, or even one person, to monitor hard currency operations by your special emissaries abroad?

[Kulik] There are no such people in my department. Strictly speaking, as minister I should be interested only in the volume of deliveries. In all civilized countries all other activity by commercial companies is monitored by the auditors. As applied to our conditions, in my opinion their functions should be carried out by special services from three departments—the Ministry of Finance, the Ministry of Foreign Economic Relations, and the recently created licensing committee.

[Kamanov] It seems, however, that no one has anything to do with this case except the foreign detectives. I know that the not-unknown Artem Tarasov has come under scrutiny by Interpol in France because of some not quite comprehensible manipulations with cash in large amounts. Some of "their" experts believe that people like him are already starting to undermine the economy of the West. Before the very eyes of the astonished "sharks" of capitalism a snowball of Soviet dollars is in the literal sense of the word swelling in size, and according to some assessments is rolling toward a billion. Businessmen there never dreamed that even their own "sharks" could make such fantastic profits. In confidential contacts "their" experts are trying to instill in "our" experts this thought: Why, they say, are you asking for billions in loans to purchase grain? Just get back or at least impose a tax on the sea of dollars being poured without control into the Western economy.

[Kulik] Yes, we do have enterprises that in violation of instructions prefer to keep part of their hard currency in accounts in foreign banks because the USSR Foreign Trade Bank [Vneshekonombank] is unable to carry out their payment instructions, particularly for large deals: There is no hard currency. Even though, of course, this is a violation of the order. But you should not believe the fairy stories about the billions. According to our assessments, only about \$2 billion deposited by organizations and companies in our country are being held in foreign banks. Incidentally, our financiers are viewing them as a possible credit guarantee.

By the will of fate I have recently been forced to engage a great deal in food purchases abroad. This may come as a surprise to some, but finding a pile of greenbacks is, in general, no problem. Some propositions are very tempting. All you have to do is take it! Take it at 0.5 percent; considering today's bank rate it is a gift. But it is also probable that they want to "launder" this money with our participation, because no self-respecting company is now offering loans at less than 7 percent annually.

Some of the members of the government could close their eyes to this. Is this being over scrupulous, given our situation? But I believe that such things are impermissible. And not only in interstate relations; here it is quite taboo. If you are a man of probity and do not want to lose your good name immediately you will run a mile from these kinds of "benefactors" with the thick pocketbooks.

One of them came with a billion, offering them all. When they checked through their own channels, there was no one behind him. But behind the fancy billion there loom people who do not show themselves, who have unknown amounts of money. In short, beware of persons bearing millions.

**A Comment from the Correspondent.** In his sensational statement to Boris Yeltsin that he was relinquishing his powers as a people's deputy of the RSFSR, Artem Tarasov bequeathed to Russia, among other things, "the \$9 million in the Istok Association account illegally frozen by the Gorbachev-Pavlov order." By the way, the Istok account in the USSR Vneshekonombank was blocked through the fault of Tarasov himself in retaliation for the fact that he piratically removed not \$5 million, not even \$40 million of Union hard currency tax to a French bank. But that is a detail. My chief concern is this: How did they again spirit away to God knows where the millions that were originally allocated to fulfill the Harvest-'90 program? I wrote about the origin of this hard currency in greater detail in SELSKAYA ZHIZN on 20 July 1991 in an article entitled "How Artem Deceived the Muzhik."

It is common knowledge that the former Russian parliamentarian Tarasov requested that the heir to his right to dispose of that money be the president of Russia, B. Yeltsin. But, as the RSFSR minister of agriculture and food, G. Kulik, candidly assured me at the end of the interview, he has still received no money from the president, nor from anyone else. Oh, where are you, money? Can it be that they are again "playing" with the long-suffering peasants' currency?

#### Material-Technical Support Faulted

924A0185B Moscow *EKONOMIKA I ZHIZN*  
in Russian No 41, Oct 91 p 7

[F. Bogomolov article: "The First Commandment"]

[Text] Yes, at one time in all the mass media information about the start of the harvest work was invariably referred to as the first commandment, whose essence was that, leaving aside all their production concerns, the farms should first, or, more accurately, as a first priority, settle their accounts with the government for the planned deliveries of grain and other produce.

That proposition worked well for many years. And those who allowed themselves to oppose it were either removed from their position as leader or experienced stricter conditions for their future. Those times are gone. Now people have started to talk persistently about economic independence for the peasants, not only in production activity but also in the marketing of their products. The master, we claim, is the one who through his own convictions deals freely with everything that he has grown, mowed, or milked...

So, are state resources being created under these conditions? The present harvest work has raised this question quite seriously. The fact is that only the crumbs of the grain crops are going to the state granary, if we may put it that way. The leaders of kolkhozes and sovkhozes and other agricultural enterprises are being called the main saboteurs. Is this so? Let us look at the facts.

According to our correspondent, the director of the Arpedninskiy sovkhоз in Volgograd Oblast, I. Pshenichkin, said the following on the subject of economic incentive to sell grain over and above the state order:

Up to now, in exchange for the sale of above-plan grain in 1989 the farm has failed to receive two MTZ tractors, a truck hoist, and 10,000 standard slate tiles. The state also owes the farm for last year. We have no wish to sell anything above the state order because we know from our experience in past years that they will cheat us...

The same signals have been received at the editorial office from Belorussia, Kazakhstan, and a number of oblasts in Russia.

In confirmation of what has been said let me cite the words of the first deputy prime minister of Russia, O. Lobov. In his opinion, it is necessary to purchase imports of a minimum of 20 million tons of grain and 4

million or 5 million tons of oilseed meal and soy. The government sees its task as realizing as completely as possible the package of decisions adopted by congresses of the RSFSR people's deputies and the republic Supreme Soviet to develop the agro-industrial complex.

Unfortunately, this year it has not been possible fully to provide government support for the agro-industrial complex. As before, material-technical support for the programs adopted has been extremely unsatisfactory. The Russian countryside has not received a considerable quantity of cement, rolled metal, steel pipes, slate, and other materials. In many cases suppliers have refused to enter into agreements for allocated funds.

Notwithstanding, how can the state granary be filled with agricultural produce? Here, in addition to the well-known conditions (true, not fulfilled even to this day), new ones are emerging. Thus, the government of Russia has passed a resolution on conditions for the reception of grain for state storage in the republic. And there is a fine promise. The owner of grain given to it for storage for six months or more will be paid an additional 10 percent. True, it is not known where this additional 10 percent will come from. Perhaps from the grain purchased from over the hill?

But even this is not the essence of what is novel here. The services offered can be used only by those who meet the targets set for the sale of grain to the state. But what about the requirement that the master of the land is he who has the right independently to dispose of his own output?

No, say what you will, under market conditions the relationship between the state and the farmers should be different. Here, promises and pledges of various kinds will not do. We need specific business. And to judge from last year's results, promises remain just that—promises.

Nevertheless, we are optimistic. Compared to other years the amount of grain that has been harvested from the fields is not a record, but it is not bad. The main thing is to gather it all in, without losses. Some 90 percent has already been harvested. Only 43 percent of the state order of 33.8 million tons has been put into the state granary. Harvest work for potatoes and vegetables is in full swing. Some 46 percent of the areas sown to vegetables have already been harvested. Potatoes have been harvested over 65 percent of the areas sown. Harvest work has started for sugar beet. By the end of September 30 percent of this crop had been harvested.

Thus, this year's harvest is being gathered in only with difficulty. Notwithstanding, there are hopes that today both the peasants and the urban dwellers, and the students, and soldiers of the Soviet Army will have an interest in the fate of the harvest.

**Reference to Failure of Harvest-'90 Program**

*924A0185C Moscow ARGUMENTY I FAKTY  
in Russian No 43, Nov 91 p 1*

[Unattributed report: "The Submarine Will Save Everyone"]

[Text] As of 21 October, 20 million tons out of 54 million had been purchased in the Russian Soviet Federated Socialist Republic [RSFSR]. Just like in the times of collectivization, cattle are being slaughtered indiscriminately because it is more profitable to sell grain and potatoes than meat, for which the purchase price has not been raised.

After the virtual failure of the Harvest-'90 check program, the grain producers are in no hurry to sell the grain to the state, even for hard currency—\$65 a ton—because of fear of some deception (RSFSR Council of Ministers Instruction No. 52-205 of 28 August 1991).

The real plague of the economy is the kolkhozes and sovkhozes that are unprofitable. In Nizhnegorod Oblast alone, 25,000 hectares of sown areas have been written off, destroyed, and plowed back into the soil. Here, the transfer of land to the farmers is being sabotaged.

If the saboteurs gain a total and final victory in Nizhniy Novgorod city and oblast, only one solution remains for RSFSR presidential representative B. Nemtsov. Get permission from Boris Nikolayevich to sell abroad the gigantic submarine being built on the Volga and estimated to be worth \$5 billion.

**Paths to Start-Up of RSFSR Peasant Farms Explored****Jurist Answers Reader's Questions**

*924A0158A Moscow SELSKAYA ZHIZN in Russian  
30 Jul 91 p 4*

[Interview with L. Aslanov, legal consultant for the Legal Administration, RSFSR Ministry of Agriculture and Food, by SELSKAYA ZHIZN correspondent: "You Want to Become a Farmer..."]

[Text] "I am considering starting up a peasant farm. I would like to know how to formulate my exit papers from the sovkhоз and what rights a person like myself has." [signed] V. Chumakov, Penza Oblast.

Our reporter has asked L. Aslanov, legal consultant for the Legal Administration, RSFSR Ministry of Agriculture and Food, to respond to this letter.

[SELSKAYA ZHIZN] Lev Arminovich, the peasant has decided to leave the kolkhoz or sovkhоз. What step should he take first?

[Aslanov] First of all he must submit a notice to the sovkhоз administration about his intention and departure from his current job or position, or to the kolkhoz

administration about his voluntary departure from the kolkhoz and the allocation of a specific parcel of land belonging to the enterprise for private ownership, life-long management or leasing in order to organize a peasant farm. The parcel must be equal to the land share of a kolkhoz member or sovkhоз worker. Its size, location and composition must also be noted: arable land, pastures, haylands, meadows, forest, ponds and roads.

[SELSKAYA ZHIZN] One cannot work the land empty-handed...

[Aslanov] The kolkhoz farmer or sovkhоз worker has the right to a portion of the cost of fixed working capital belonging to the kolkhoz or sovkhоз after the deduction of sums for long-term unpaid credit, the cost of indivisible capital and capital created by means of budgetary assets. But note that this is under the condition that the individual who is exiting has worked in the given kolkhoz or sovkhоз for no less than 20 years.

His share is determined with a consideration of his length of service to the enterprise and his labor contribution. The declaration should state: I request that the administration (general meeting of kolkhoz members, general meeting of sovkhоз workers) allocate the due portion of fixed working capital in a particular sum, and this includes technology, essential inventory, GSM [Fuel and lubricating materials] and other resources, within the limits of total shared capital.

The notification is first examined by the sovkhоз administration (kolkhoz administration) and then by a general meeting of sovkhоз workers (kolkhoz farmers).

The entire land fund of the enterprise can be divided conditionally among all permanent kolkhoz members. I think that it would not be a bad idea if each member knew what his land share was and its size. Stock can be issued according to the assessment of the land share (according to a land survey). The land share can be passed down by inheritance and taken into consideration during the distribution of profits.

[SELSKAYA ZHIZN] How is the land parcel determined?

[Aslanov] Its size depends on the total area of agricultural lands and the number of kolkhoz farmers (sovkhоз workers) and should not exceed the maximum size of land parcels transferred into the ownership of an individual for the purpose of running a peasant (farmer) enterprise. The general meeting has the right not to allocate the lesser portion of the land fund and instead to create a spare land fund. This can be used to provide parcels for new kolkhoz members and sovkhоз workers, city residents and resettlers.

[SELSKAYA ZHIZN] Let us assume that the peasant's application has been approved. What next?

[Aslanov] The corresponding decision is submitted to the village or settlement soviet, which examines it and along with its own suggestion sends it to the rayon or city

soviet. From there it goes to the deputy land commission and rayon committee for land reform and land resources. Committee specialists prepare the documents that are essential for the actual allocation of a specific land parcel. These materials are transferred to the rayon or city soviet, which within a period of one month (from the day the application is submitted) makes a decision. If it is a positive decision, the head of the peasant enterprise is issued a state deed confirming the right to land ownership or the right to lifelong inheritable management of the land parcel.

[SELSKAYA ZHIZN] From this moment on the peasant enterprise becomes a legal entity?

[Aslanov] No, for this it must be registered by the rayon (city) soviet. Only after registration does it acquire the status of a legal entity. Incidentally, there are many peasants who do not know what this is. Let me remind them. The legal entity has the right to open current and other accounts in a bank, including hard currency accounts, to have a seal with its name, to enter into business contracts and economic relations with other enterprises, organizations, institutions and citizens, and to independently produce and sell agricultural products. It is expedient for a peasant enterprise to have its own regulations and name.

#### Acquisition of Land

924A0158B Moscow ZEMLEDELIYE in Russian No 6, Jun 91 p 17

[Article: "How to Acquire Land"]

[Text] Russia is undergoing a rapid process of development and creation of peasant (farmer) enterprises. To a large extent this is the result of the implementation of republic land reform and the passage of basic laws and resolutions.

However, in many regions problems related to the making available of land for use as peasant farms are being dealt with slowly. In connection with this, B. N. Yeltsin, Chairman of the RSFSR Supreme Soviet, and I. S. Silayev, Chairman of the RSFSR Council of Ministers, have come forward with an appeal in which they have called upon soviets of people's deputies and committees for land reform to create favorable conditions and to facilitate the new forms of management in every way possible.

As noted in the appeal, people often do not know whom to turn to in order to receive land.

The order for acquiring land is being established in the following manner. To receive land for orchards or gardens residents of kray and oblast centers must apply to the oblast or kray soviets of peoples' deputies. Residents of cities and settlement points that are subordinate to an oblast (kray) must make an application to the corresponding rayon (city) soviet.

In connection with the difficult food situation, the appeal states, we feel it is necessary that kolkhozes and sovkhozes allocate up to 5-7 percent of arable land available in 1991 for transfer to city residents for the purpose of raising potatoes and vegetables.

The transfer of land into private ownership or lifelong inheritable management for the purpose of starting a peasant farm is a special question. The procedure here is the following: Residents of cities or settlements who are not workers of agricultural enterprises make an application to the rayon (city) soviet of peoples' deputies that is in charge of the land parcel in question. Within the period of a month of the application a decision must be made about the land transfer.

Workers of kolkhozes, sovkhozes and other agricultural enterprises desiring to exit these enterprises with the goal of starting up a peasant farm must submit an application to the administration (directors) of the enterprise. Samples of all the necessary documents are available in the offices of rayon and oblast committees for land reform. The administration (directors) of the agricultural enterprise must, within the period of a month, send its conclusions to the soviet of peoples' deputies so that the latter may make a decision.

The agreement of the kolkhoz or sovkhoz collective is not required in order to exit the enterprise and to acquire a transfer of land and a share of the assets.

Citizens who are not in agreement with the decision of the soviets may take them to court.

Based on the decisions of the soviets, the committees for land reform must physically make land parcels available within the shortest possible time, and they must provide the essential documents certifying one's right to the land.

We appeal to local soviets of peoples' deputies and to workers of committees for land reform: the applications of citizens must be examined objectively and without delay. Any citizen has the guaranteed right to acquire land, and if this right is violated by anyone, the guilty parties bear the responsibility in accordance with the law, which in part foresees the levying of a fine of up to 3,000 rubles on responsible parties.

Land reform is to take effect over a period of several years, but we appeal to everyone on whom its implementation depends to take the necessary measures so that all those who wish to may acquire land and use it to increase food production.

#### AKKOR Jurist Answers Farmers' Questions

924A0158C Moscow SELSKAYA NOV in Russian No 6, Jun 91 pp 8-9

[Interview with Margarita Svetlova, Senior Jurist of the Association of Peasant Enterprises and Agricultural Cooperatives of Russia (AKKOR), by SELSKAYA NOV correspondent: "How Does One Become a Farmer?"]

[Text] We are continuing to publish responses to questions from beginning farmers. Margarita Svetlova, Senior Jurist for the Association of Peasant Enterprises and Agricultural Cooperatives of Russia (AKKOR), is our consultant.

[SELSKAYA NOV] Can the peasant farm have a current account in a bank?

[Svetlova] The peasant farm has the right to open a current account in the bank for account-keeping and the safekeeping of monetary assets.

[SELSKAYA NOV] What documents does the peasant farm need to open a current account in Agroprombank?

[Svetlova] In order to open a current account the peasant enterprise (the member of the enterprise in whose name the land document is) supplies the bank administration with the following: an application to open a bank account (form number 0401025), a copy of the document that attests to the right to use of the land (a state deed regarding the right to have the land, a contract or authorization for temporary use of the land, etc.), and a signature card (form number 0401026), which must be notarized.

Forms numbers 0401025 and 0401026 are provided by the rayon division of the bank. On the first copy of the document that attests to the right to use of the land, the chief bookkeeper notes the opening of a current account and returns this copy to the owner of the peasant enterprise. A copy remains in the bank.

[SELSKAYA NOV] Can the peasant enterprise have its own seal?

[Svetlova] As soon as the decision of the rayon soviet of people's deputies about the allocation of land for a peasant enterprise is made, the peasant enterprise formulates documents to prepare a seal. A sketch of the seal is developed independently for the owners of the peasant enterprise with a consideration of the latter's name. Sketches for the peasant enterprise's seal are confirmed by the local Administration for Internal Affairs. The quote from the decision of the rayon soviet concerning the fact that the peasant enterprise is a legal entity, or a copy of the decision of the rayon soviet (issued by the executive committee) is submitted there. After this the application from the peasant enterprise is submitted to the organization that makes the stamp.

[SELSKAYA NOV] Is it possible for a peasant enterprise without a seal to open a current account in Agroprombank?

[Svetlova] The application to open an account and a signature card may be accepted by the bank without a seal.

[SELSKAYA NOV] Can the head of a peasant enterprise bestow the right of handling the current account on a member of the peasant enterprise?

[Svetlova] The owner of the account may bestow the right of handling the account on any member of the peasant enterprise. Power of attorney for managing the account must be attested to by a notary. A temporary signature card is submitted to the bank with the sample signature of this member of the peasant enterprise, and the card is also signed by the owner of the peasant enterprise with an indication of the date, the registered number of the power of attorney and the effective period. This card is not certified by a notary.

[SELSKAYA NOV] Do peasant assets in Agroprombank earn interest?

[Svetlova] The peasant enterprise receives in its account 0.5 percent annually according to remaining assets in current accounts. Interest is calculated on a quarterly basis and the total is added to the current account of the peasant enterprise.

[SELSKAYA NOV] How is the deduction of assets from a peasant farm's current account carried out?

[Svetlova] The deduction of assets from a peasant farm's current account can be implemented only with the written directions of the owner of the account or by decision of the court, if no other plan has been foreseen in an agreement with the bank.

[SELSKAYA NOV] By what means does the peasant enterprise implement accountkeeping?

[Svetlova] The peasant enterprise implements accountkeeping in the following manner: with citizens—in cash, transfers through communications enterprises; with retail trade enterprises—in cash or on a non-cash basis; with other enterprises, organizations and collectives—in accordance with the Regulations on Non-Cash Accounts in the National Economy.

[SELSKAYA NOV] To whom should the peasant enterprise turn to obtain short-term and long-term credit? For what purposes is credit made available?

[Svetlova] In order to obtain credit the peasant enterprise applies to the bank in which it has a current account.

Short-term credit is provided to secure ongoing production expenditures (to pay for commodity-material goods and services that are necessary for production) for a period of up to 12 months.

Long-term credit is issued to peasant enterprises:

—for the building, expansion and renovation of objects and for other expenditures to develop (including to purchase) and to repair fixed capital—for a period of up to 10 years with repayment beginning two years after the loan is obtained;

- to acquire agricultural technology, transportation means and equipment—for a period of up to seven years with repayment beginning two years after the loan is obtained;
- for expenditures to develop a basic herd and to acquire bee families—for a period of up to three years with repayment beginning two years after the loan is obtained.

When a peasant enterprise is given land for use during an unlimited time period or when a contract is signed for land use (leasing) for a period of no less than 15 years, long-term credit is provided under incentive conditions for the following measures:

- for expenditures to build objects earmarked for production purposes (including expenditures for the planting and cultivation of perennial vegetation) for the period until they pay for themselves, but for no more than 15 years, with repayment starting two years after the completion of measures (beginning of fruit-bearing period for perennial vegetation);
- for the building of residential housing with yard structures in a sum of up to 50,000 rubles—for a period up to 50 years with repayment beginning 6 years after credit is obtained, according to the order foreseen by Gosbank Instruction Number 20 of 24 October 1986, "On Long-Term Credit and Financing of Capital Investments for the Population to Provide Credit to Citizens for the Building of Individual Residential Housing."

Specific schedules for repayment of loans are determined based on a calculation of the expected income of the enterprise resulting from credit measures.

[SELSKAYA NOV] What must be done to obtain credit?

[Svetlova] Credit is issued to peasant enterprises on the basis of a credit agreement which foresees the obligations of the loan recipient regarding the repayment of the loan, the payment of interest for the use of the credit, the amount of credit, the period needed for the building of the object and for the use of credit with a consideration of production volume, product sales and income, as well as the rights and incentives provided by the bank.

Credit contracts may foresee, among other conditions, the obligations of the peasant enterprise with regard to security for credit, as well as the issuance of credit with surety and other forms of guaranteed loan repayment.

As security for loans the bank institutions accept commodity-material goods and products produced, as well as the property of the client in the order established by existing law.

The formulation of obligations concerning the repayment of bank loans issued to the peasant enterprise is implemented according to the order stated in the USSR Agroprombank letter Number 139 of 4 August 1989.

In some cases loans to peasant enterprises may be issued with a guarantee of the solvency of the enterprise or organization.

A credit agreement may be drawn up for the issuance of short-term and long-term credit either separately or together.

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No 12 1991

**Conference Notes Farm Numbers, Hectarage**  
*924A0158D Moscow SOVETSKAYA ROSSIYA*  
*in Russian 2 Nov 91 First Edition p 2*

[Article: "The King of the Soils is Ill"]

[Excerpts]

[passage omitted]

The poor condition of the Russian chernozem was confirmed by a diverse expedition, Russkiy Chernozem-91, which was carried out this summer by workers of the Soil Institute imeni Dokuchayev, the All-Union NII [Scientific Research Institute] of Farming and Soil Erosion Protection and the Tula Giprozem [State soil planning and design institute].

Conference participants proposed a number of constructive measures to improve the Russian chernozem. They also touched on the question of various forms of land management. Warnings were heard about the danger of blind copying of Western experience, excessive euphoria with regard to farmer enterprises and about the rapid inclusion of farmer enterprises into the work of soil conservation. As of 1 September of this year in the Russian Federation 28,000 farmer enterprises had been created; 1.2 million hectares of agricultural lands have been transferred to them. But of the arable land that has been allocated to farmers only 60 percent is being utilized; the remainder is not being cultivated even though the average load per worker in the farmer enterprise—nine hectares—is lower by a factor of 2 than a worker's load in the public sector.

[passage omitted]

## FOOD PROCESSING, DISTRIBUTION

**Journalists Question Price Stop-Gaps in Moscow**  
**924A0219A Moscow TORGOVAYA GAZETA**  
*in Russian 16 Nov 91 p 1*

[Article by L. Glazkova: "They Are Just About To Turn on the Meter"]

[Text] It would seem that nothing could surprise us any more. We have heard about the liberalization of prices and about the possible introduction of Russian money. We have also regarded with understanding the fact that—after this happens—certain essential items will flow like milk and honey. However, flabbergasted Muscovites could not believe their own eyes when they beheld the new price-lists on bread, so far on three types. In connection with this, at a press conference organized by the Moscow mayor's office, journalists persistently put questions to representatives of the Moscow government regarding this shock-type prescription from the stores of shock therapy.

**Bread for the Rich?**

And so it can be considered that the initial steps on the path to price liberalization have already been taken. In commenting upon these steps, Minister V.A. Karoukhov reported that the first ten days of November were marked by an emergency-rush operating schedule at the capital's bakeries. The trade system's daily orders for bread increased to 2,300-2,600 tons (during the same period last year this figure was 1,800 tons). Cited among the reasons for this increase were the panic which has seized people in connection with the news about the impending price liberalization and the number of people who have come to the capital. In my opinion, these reasons must be supplemented by the factor of the physical disappearance of an entire range of items for sale; and this makes the comparison with last year not quite correct.

The milling combines were operating at their absolutely full capacity, the flour trucks were hauling their freight day and night, flour disappeared from the retail-trade network, and its reserve supplies at the bakeries declined from the norm by as much as 75 percent. The bread boom was successfully resolved. And the bakeries got a chance to take a breather, inasmuch as a further increase in the production pulse would have put them at the risk of cardiac insufficiency.

But in order to prevent this from happening again, the price lever had to be pushed forward. One more argument in support of making bread more expensive was a calculated reliance on the newly born entrepreneurial stratum. Here the authors of the decision, by their own admission, made the mistake of setting the price too cheaply. The price level was raised by only a factor of 6, whereas the ratio of a Muscovite's average monthly wage of 360 rubles to the incomes of SP [expansion not further identified] staff workers, members of cooperatives, and

other business personnel is 1 to 10-15. Price proportions or ratios with regard to mixed feeds and meat were also taken into account.

To be sure, it is not even funny to assert that bread for the rich will be purchased exclusively by the rich. But such an argument sounded just like the idea of giving people the chance to throw their money around, to calmly buy items, etc. without standing in lines. Whether we like it or not, a new color has been added to society's social palette. And, according to certain data, its proportionate share amounts to three percent of this country's population—an amount substantial enough to be accorded our attention.

Nevertheless, although from the viewpoint of a normally functioning market economy the elimination of an emergency-rush demand by means of a shock-type price increase is a healthy reaction, under our conditions it has somehow failed to inspire people by its feasibility.

**When December Arrives, There Will Be Coupons.**

A question was raised at the press conference concerning the quantity of reserve supplies of foodstuffs in Moscow. According to various categories, they vary from one or two months down to a few days. The proportion of humanitarian aid coming in from the West—measured at 300,000 tons—has a volume sufficient for six days of trade.

Like a typhoon, the emergency-rush demand is sweeping away everything in its path. And it is utterly demolishing our consumer market. A vivid example is the situation with regard to egg sales. Despite the daily delivery to this city of its usual norm amounting to six million eggs, there are none to be found in the stores. It is not surprising because one egg costs 2 rubles, 40 kopecks, whereas meat and sausage cost anything from 7 to 9 rubles.

Nor is there enough milk, which is being delivered at last year's level (which, to be sure, is insufficient). In order to correct this situation, it was decided to add another 300 tons to the daily amount. No further increase is possible until dried milk is received from France and Poland.

Meat deliveries from Moldova are proceeding badly, and they are at an 85-percent level from Lithuania, which has made shipments of meat dependent upon grain deliveries to itself. It seems that Polish potatoes will allow us to survive until spring purchases. The virtually disintegrating situation with regard to sugar is fraught with new complications: A great many root crops have remained in Ukrainian fields under snow, and they can only be harvested manually, whereas Cuba, in anticipation of our deliveries of foodstuffs and petroleum products, is in no hurry to ship out its own sugar.

And, therefore, it was decided—beginning on 1 December—to provide and maintain for the following amounts of consumption on a per capita, per month basis: meat—1.5 kg, sausage—500 grams, animal oil or fat—400

grams, and eggs-10. A price hike on sugar has been proposed. Of the two price levels being discussed—12 and 24 rubles per kg—Minister Karnaukhov is inclined, for understandable reasons, to prefer the higher one because of its maximal approximation to the future price on vodka. In order to cover the additional outlays caused by the increased prices on bread and sugar, each Muscovite is to receive 60 rubles; this is calculated on the basis of the per capita, monthly consumption of 1.5 kg of "white poison" and 6 kg of bread. This compensation will be given out by coupons at the cashiers' offices of large stores. The proposed price of vodka ranges from 26 to 56 rubles a bottle. In the event that these proposed prices are approved, the Moscow government will begin handing out the compensatory payments for alcohol in December. So far the coupons will only be valid for December.

#### First Privatization, Then Liberalization

That, in effect, is V.A. Karnaukhov's approach. For the time being, it is hard to imagine that all the enterprises in the capital's trade network will be privatized by 1 January. There are, more or less, 4,500 stores. Those which have a floor space of less than 500 square meters are being transferred or handed over—under certain specific conditions—to labor collectives, whereas department stores and large enterprises are being made into joint-stock companies. Just as in Czechoslovakia (the Czech and Slovak Federal Republic), during the initial phase priority is being given to the native entrepreneurs.

The basic principles are as follows: leasing stores for 25 years (by no means the least important consideration here is the impossibility—during the inflationary period—of precisely determining the value of such stores) and the non-reimbursable handing over equipment, as well as the redemption of working capital.

An important factor—the authorization or registration principle of licensing enterprises—has been proposed during the process of privatization. V.A. Karnaukhov responded to this as follows:

"I consider that, with the modest number of existing stores in Moscow (200 square meters of floor space per 1,000 inhabitants, which is only about one-third that of other world capitals), during the first three years after privatization we cannot authorize entrepreneurs to sell their enterprises or change their basic assortment. And even subsequently, in the event that such a low level of floor space continues, we must maintain and preserve the specialization of a particular enterprise when and if it is resold. And if a collective becomes bankrupt, the store will be sold under the original conditions by way of an auction. The plot of land under a store, for the time being, remains as city property, and—when the rental value has been determined—the entrepreneur will begin to pay them."

"The final concept of privatizing trade will be formulated in the very near future. The British consulting firm of Anderson Consulting is taking part in this work."

"My position is this," V.A. Karnaukhov stated in conclusion. "We must—at least temporarily or provisionally—settle on something and start to work. Only work can show us the rightness of this or that concept."

We will not have to wait long. They are just about to turn on the meter.

#### Trade Outlets Returning 'Expensive' Bread to Bakeries

*PM2011150591 Moscow Central Television First Program Network in Russian 0630 GMT 17 Nov 91*

[From the "Television News Service" newscast: Report by Lashchenko, identified by caption, from Moscow]

[Text]

[Lashchenko] Television News Service reporting from the No. 4 Bakery. It appears that no one needs this bread.

[Lashchenko, turning to woman subsequently identified as N.M. Sidorova, deputy chief of No. 4 Bakery Marketing Department] Are you going to throw it out?

[Sidorova] How could we throw it out! It will be reprocessed, although it has only just been baked.

[Lashchenko] Bread has always been held in special awe in Russia. People used to say: "Bread is everything." And now it is being spurned.

[Sidorova] Trade outlets are sending it back to us. In the past three days they have returned more than 20 tons of good bread. Why, what is the difference? Well, it costs 3.60 [rubles] as against 64 kopeks previously. If the comrades had told us a few hours earlier that we should switch to other types of bread, or other prices, we could have minimized the losses. After all, bread is in demand, people stand in line for bread everywhere, we could have made sure there was enough of it.

[Lashchenko] Our people, Muscovites and people from outside Moscow, value bread, but at a lower price. After all, it is many people's staple food. Meanwhile the expensive bread, practically all of it, is being returned to the bakery. And the losses are enormous. And not just the bakery's losses.

[Sidorova] The drivers and the transport enterprises are also incurring losses, both material losses and losses as regards morale.

[Lashchenko] Another truck has left with freshly baked, expensive bread. But people cannot afford it. It will return with stale bread, and some people will have to go hungry.

## HOUSING, PERSONAL SERVICES

### Privatization of Housing Stock Reviewed

924A0223A Moscow PRAVDA in Russian 18 Nov 91  
p 2

[Article by V. Tomashkevich, PRAVDA economic correspondent: "The Music Was Not Played For Very Long"]

[Text] The rising prices and impending ration system have stunned Moscow residents and have lowered the significance of the privatization plan already in progress. But this is not the case in all areas. In Russian regions, the degree of interest and curiosity among Moscow residents in housing matters has proven to be more than adequate. Just as in previous years, Moscow continues to serve as the reference point for the new nomenclature.

Thus we have housing and ownership. How can they be joined together? During the past year of 1990, several thousand apartments were sold. A number of owners promptly resold them and realized a profit. After pondering the situation, the authorities halted the sales. The decision was made: a law was needed. One was adopted—a very difficult and intricate one. The work came to a halt. Months passed and finally the Moscow blood of the pioneers boiled over. And once again, they began...

The future owners rushed to the housing operation offices, notary offices and to numerous committees and commissions. The Moscow landscape was enriched by the appearance of lines having a colloquial meaning. The people aspired as much as possible to achieve open spaces on their still living bodies for three and four-unit figures, while becoming confused by numbers which symbolize a line for bottles, sugar or for cigarettes and for those concerned—movement towards their own apartment. New bureaucratic barricades appeared and these were overcome with the aid of additional 10- and 100-ruble notes, which flew to the left and right.

Grandsons and daughters-in-law waged their last and decisive campaign for carrying out the rite of initiation into the secrets of an owner. Privatization is perceived as a form of communion which removes the guilt of sin and provides a road leading to the bright and mythical world of a market economy.

The summaries on the course of the campaign were very impressive. The General Staff officers rubbed their hands. An even stronger tempo was desired. In order to stimulate growth in the lines, the decision was made to consider the privatization period as commencing the moment the announcement was released. This then is the epic that unfolded on the stage of the Moscow theatre of market miniatures.

The offensive increased in intensity. And suddenly as the snap of a whip! An intermission. We do not go to that side, the tickets were purchased in vain and the money

returned. Now once again those who favor privatization must stand in line in order to obtain their all important money. I doubt that they will return in full volume.

Court actions should be pursued for bungling, for mocking people and for their physical and moral expenses.

But it seems that the authors of the privatization "blitzkrieg" are not experiencing remorse for the ordeals of tens of thousands of people. Thus, the capital's mayor, G. Popov, did not even consider it necessary to apologize to those who sustained not only material damage. The president of Russia, taking advantage of Petrov's traditions and methods, should have pointed a timely finger at his favorites for operational "neglect." And they, having recovered their breath, are now promising a free type of initiation to the owners. But having been caught by a baited hook, the apartment residents of Moscow are fearful of going for bait even if it is not on a hook. They do not believe that it all started without a dirty trick.

The maniacal idea that the people have considerable money does not give the tutors of privatization reforms a moment's peace. And the "iron lady" is no longer restraining herself, but rather with a cold English smile she defends our people, gathers the new Russian business men and political instructors around her, while exhorting them not to rob their own people. Rather than superprofit, the main goal should be that of making people owners. But there is a problem here. According to their understanding, it makes no sense at the present time to take one billion rubles from Moscow residents, since this money will be worth a minimum of 10 times less in six months. Thus the decision was made to pursue another route. To thrust upon people a housing gift and burden them with all of the housing maintenance expenses and thereafter to introduce a practically uncontrolled property tax as well as a sales tax. Generally speaking, the entire bouquet of marketing attributes, in the manner of aiguillettes, should hang from the neck of an individual owner and be tightened.

The property tax will replace our apartment rent, but in all probability it will be 10 times greater. Relationships with the housing operations office will be carried out on a commercial basis. And the municipal workers will not fail to take advantage of their monopolistic right.

And there is still one other small deception prepared by those who advocate privatization. Has anyone read a law or persuasive decree governing the system for the sale of privatized housing? Unless you look, you will not find! This is accomplished with some purpose in mind. They call me an owner, but will I be given any legal rights? I doubt it. And if they undertake the privatization of housing in a serious manner and without any fiscal games, then we must disclose a specific mechanism for the possession, use and disposal of one's own dwelling. The commodity is sufficiently specific in order for us to be limited by general premises. For example, one article of the law states that each individual can become an

owner of a dwelling once in his lifetime. And what happens if I have a dwelling and my mother bequeathes hers to me? Am I authorized to accept it, will I pay for the excesses and is this concept generally acceptable—excesses when we speak of property?

In particular, those on waiting lists are alarmed by privatization. What will their fate be? Nobody is taking into account the reassuring tablets of the present leaders. The people believe work at a construction site to be the best reference point. Others are checking the empirical data in their statistical handbooks and clutching their hearts. Everything is in decline there. And from the tribunes and screen come promises of compensation and mythical contributions for their housing account. Some scientists and officials associated with the government fully believe that they can replace a housing area.

But what is to be done with the housing? Yes, a market is needed for it. But we must take into account the historical realities—state property. Does this mean that the situation is hopeless and that nothing is to be done? Nothing of the sort. Life itself reveals the methods to be employed for creating a housing market. Here we have in mind cooperative and private construction. As yet, one must wait on line for many years before being accepted into a housing-construction cooperative. But the lucky ones experience the more destructively real rights of an owner and the pressure of all types of documents, instructions and statutes. Cooperative housing, built for genuine money, must become absolutely private property and subject to registration, sale, bequeathing to others or presentation as gifts without any quibbling whatsoever.

What is holding up cooperative construction? The answer is simple enough: resources and capability. A need exists here for funds accumulated by the population and for the issuing of appropriate securities, the dividends of which could be paid in the form of payments in kind. Private and cooperative construction are suffering from a lack of construction materials, the production of which has declined in a catastrophic manner. And indeed, this trend in the build-up of the housing fund, including summer cottage construction, is the very factor that is capable of swallowing up tens of billions of rubles and this does not give our leaders any peace. Their energy and authority should be used for improving the capabilities of the construction industry and not for merely tolerating that which already exists.

The state fund, in its municipal form, must be maintained and if it is converted over to a market regime for functioning, then it should involve the creation of intermediate forms for the state fund, commencing with services and including state-cooperative forms for housing maintenance. If they so desire, the housing tenants will be brought together in cooperatives and this must be encouraged by legislation, including legislation having to do with the disposal of one's own dwelling. If you wish to become a classical private craftsman, then enter a housing cooperative and conduct your own

building. Society must satisfy these desires regardless of how much housing an individual owns.

In countries with a developed economy, there are no problems with regard to acquiring housing, or building or leasing a dwelling. There is only the need for money. Here it is considered to be most profitable to invest one's resources in housing and to acquire a dwelling on credit with subsequent purchase. The housing market begins at its sources with a developed construction industry. If it is non-existent, any artery of housing measures will quickly dry up. Let us devote some thought to this matter.

The formation of a civilized housing market will require if you please more than one dozen years. A cavalry attack will not suffice. For it is precisely here that caution and proper discretion should be displayed, in view of the fact that housing is one of the more dangerously explosive spheres of social relationships.

## PERSONAL INCOME, SAVINGS

### Wage Standards by Profession Studied

924A0182A Moscow *PRAVDA* in Russian 31 Oct 91 p 3

[Article by V. Gerasimov, N. Ivanova, and I. Savchenko: "Hangers-on in Their Own Country"]

[Text] Our march toward a market economy has fundamentally changed the appearance of our society. The Brownian condition involving a chaotic movement of particular individuals replaced the measured pace set ahead of time for the masses. Everyone is making multiple attempts to survive and climb to the top on his own, having altogether forgotten that everything is intertwined in the social world to an even greater degree than in the world of physics. However, it is internal shifts in the depths of our society, rather than these outward manifestations and their flare-ups, that determine the essence of processes underway.

The data received testify to a "new" pyramid of inequality growing in our country. More precisely, there is no pyramid as such; the structure of society at present is more reminiscent of a "swamp." Only isolated peaks of welfare are apparent against the general background of impoverishment. Who are these people? Are they businessmen, farmers, members of cooperatives, producers of material valuables? NO.

A review of 20,000 self-evaluations indicated that those who view the standard of their material situation as either average or below average dominate in the general populace.

The following have the average standard of material situation: 83 percent of cooperative members, 65 percent of the employees of the state apparatus, and 63 percent of partners in mixed enterprises and entrepreneurs.

Who believes that his level of financial affluence is below average? Of course, students and retirees account for

most of them. Apparently, our society believes that it is neither mandatory to pay old debts nor to extend credit to our future. The editorial mailbag is literally bursting with letters appealing for help. For example, A. Vladimirova (St. Petersburg) writes: "All of our money is spent for bread and drugs." M. Selinov (Alma-Ata) writes: "The retirement benefit is small, and buying clothing or footwear is out of the question." Sh. Akhmetov (Chita) writes: "The foodstuffs situation is tight; at times, even bread is not available." A. Mekhmanov (city of Kuba, Azerbaijan) writes: "I have three children and work as an electrician. My salary is 140 rubles [R]. How are we supposed to get by?"

However, those who have long stopped being hangers-on in our society and are associated with the production of material valuables in a most direct manner also pointed out their unenviable financial standing.

**The level of financial affluence is below average (self-evaluated):**

Workers—53 percent

Agricultural specialists—53 percent

Retirees, housewives—51 percent

Lessees, farmers—50 percent

How are those to whom hopes for prosperity are attached doing? How are cooperative members, farmers, and lessees getting by? Only one-half of the cooperative members believe that their wages make it possible for them to buy regular food, one-third believe that regular rest and recreation are possible, but not one (!?) believes that buying regular clothing is possible. The statistics are even "stiffer" for farmers and lessees. Only 50 percent noted that their wages make it possible for them to eat regularly...and that is it! Their wages do not make it possible for any one person in this category to buy regular clothing, rest, or engage in cultural pursuits. Moreover, 25 percent of the lessees appeal for help indicating that their financial situation is critical.

**Critical financial standing (self-evaluated):**

Lessees, farmers—25 percent

Kolkhoz [collective farm] members, employees of sovkhozes [state farms]—15 percent

Agricultural specialists—10 percent

Workers—10 percent

College and school students—9 percent

At first sight, the situation of partners in joint enterprises and entrepreneurs appears the most favorable. Within this category, wages make it possible for 63 percent to buy regular food, for 38 percent to engage in cultural pursuits, and for 13 percent to rest and buy clothing

regularly. However, is the above distribution really the standard of a prosperous society toward which everyone has been striving?

The situation from the standpoint of urban vs. rural areas is not gratifying. Not one of the city residents taking part in the survey defined his financial status as high. For 51 percent, it is below average, and 9 percent evaluate their personal standard of living as critical. Only 37 percent consider it average. The wages received make it possible for only four people out of 10 to buy regular food. The wages of 38 percent suffice to meet only some of their needs for food, and 13 percent do not have such an opportunity at all. The opportunity to buy a piece of new clothing with the money made is even more scant in our country. The survey indicated that only five out of 100 urban residents have the opportunity to regularly purchase clothing. Others already lack funds for that.

In view of changes in income and expenditure items, the salaries received make it realistic for only 8 percent of those surveyed to engage in cultural pursuits, 29 percent may take advantage of such opportunities only to a degree, and 37 percent are altogether deprived of this.

An absolute majority of rural citizens who responded to survey questions cannot afford to dress regularly. It is still possible for only one person in 18. Statistics indicate considerable difficulties which the residents of rural areas are experiencing with regard to ensuring full-value recreation and engaging in cultural pursuits. Only 7 percent of them can afford regular recreation. For 28 percent, the wages suffice for this purpose only to a degree, and for 50 percent, there is no such opportunity.

In terms of improvements in the cultural standards, the rural areas are inconspicuously falling behind the urban areas, which are rapidly getting impoverished. Only 15 percent of the rural population have the financial opportunity to engage in cultural pursuits. Forty-two percent of the representatives of the category of the population in question can afford food for thought on their salaries only to a degree. At present, 26 percent of them do not have such an opportunity.

According to self-evaluations, five percent of the employees of the state apparatus, two percent of the doctors, employees of health care, and servicemen, and only one percent of the workers, engineers, and technicians enjoy a high standard of living. At the same time, an analysis of the social strata of the populace, demographic attributes, places of residence, and intellectual vs. manual labor indicated that... the employees of the state apparatus are doing the best among all of these categories! Fifty-four percent of them replied that their wages make it possible for them to eat regular food, 15 percent—buy regular clothing, 20 percent—rest regularly, and 28 percent—engage in cultural pursuits. The data of this social group are the highest compared to others (to be sure, the percentage of those who said that

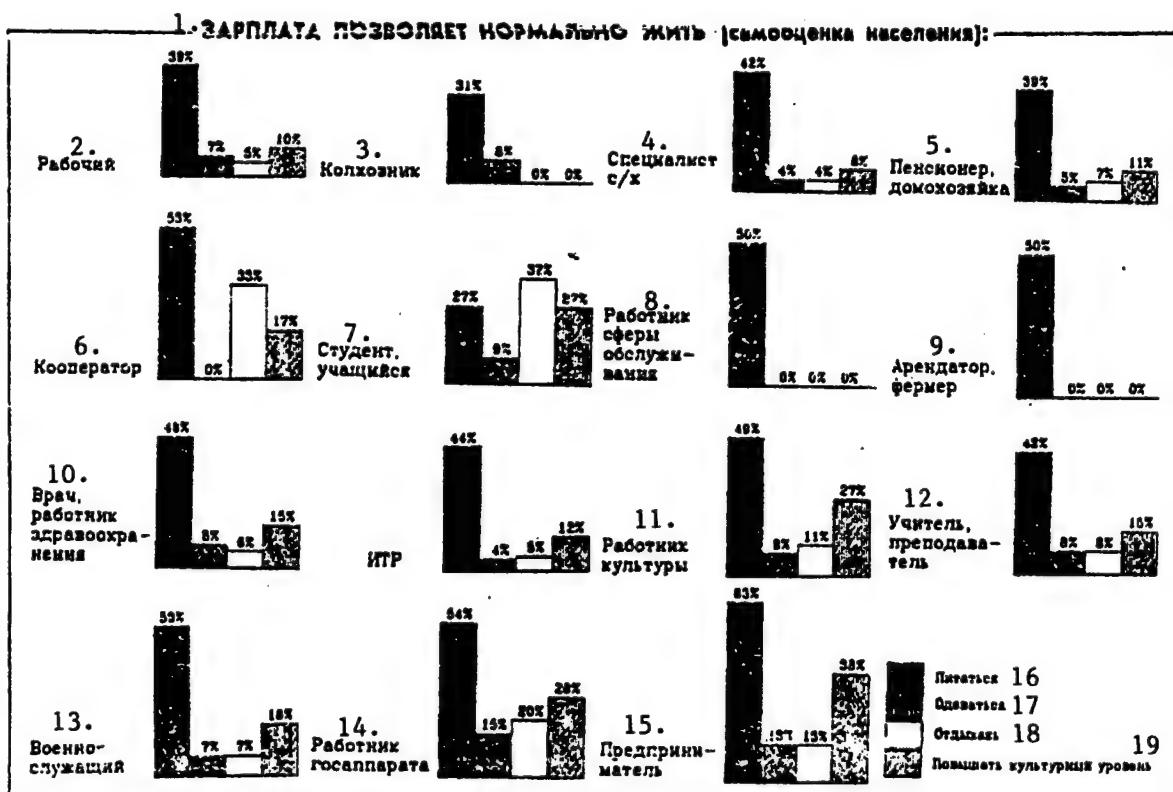
their wages make it possible for them to eat well is somewhat higher in the group of entrepreneurs—63 percent).

Movement has begun among the social strata; this movement is mostly downward rather than upward. This does not amount to only impoverishment but also to the deprivation of opportunities for professional improvement, regular recreation, and the ability to do something for one's children. By now, the issue of these people soon being unable to even eat regularly is on the agenda. This tendency is characteristic of all social strata, both those emerging and old ones. Those who have an opportunity to distribute rather than those who produce ended up in a privileged position.

The tables provided suggest that the cynicism of a price policy and the lack of correspondence between the prices

and the wage levels forces all strata of the population to, first of all, reduce outlays on spiritual needs. Meeting social needs has been reduced to virtually nothing for between 70 and 80 percent. Moreover, even meeting the vital needs of most of those surveyed is restricted. The population has committed the bulk, if not all, of its funds to feed themselves. At the same time, the desire to boil the essence of the problem down to filling cups and saucepans, to switch to meeting primarily vital needs, to make the interests of the individual dominant, to capitalize on the instinct of self-preservation as a motive for action, and to turn utilitarian rewards into the main incentive signify a return to the original, primeval condition of society.

If an inquisitive reader takes an attentive look at the multitude of numbers, he will also notice a paradox.



**Key:**

1. Wages make regular life possible (self-evaluations by the populace):
2. Workers
3. Kolkhoz members
4. Agricultural specialists
5. Retirees, housewives
6. Cooperative members
7. College and school students
8. Employees of the service sphere
9. Lessees, farmers

10. Doctors, health care employees
11. Employees of culture
12. Teachers, instructors
13. Servicemen
14. Employees of the state apparatus
15. Entrepreneurs
16. Food
17. Clothing
18. Rest and recreation
19. Cultural pursuits

## CONSUMER GOODS, DOMESTIC TRADE

Despite the prevailing lack of funds for cultural needs, recreation, clothing and food, two out of every five respondents continue to consider themselves "affluent" members of the middle stratum. What is it—a lofty example of civil courage or the degradation of things human in the individual? We did not come up with an answer to this question. We suggest that we look for it together. Therefore, let us note by way of summing up the research:

1. PREVIOUSLY, our social strata WERE DEPRIVED OF THE SENSE OF OWNING PROPERTY (using it directly and unilaterally) whereas AT PRESENT, they are being deprived of THESE OBJECTS THEMSELVES.
2. Man does not live by bread alone. The way toward achieving public welfare runs through meeting all the needs of the people comprehensively. A government of popular trust should take care of not only financial but also the spiritual well-being of the people.

## ENERGY COMPLEX ORGANIZATION

### Expert Interviewed on Fuel-Energy Complex

924A0211A Moscow EKONOMIKA I ZHIZN  
in Russian No 40, Oct 91 p 9

[Interview with I. T. Gavrilov, deputy chairman of RSFSR Council of Ministers, by V. Golovachev; place and date not given: "In Winter Many Enterprises Will Have To Be Shut Down"]

[Text]

- Payments for oil from republics which have not joined the new union might be in dollars
- The approximate future price for a ton of oil - 230 rubles
- Tatarneft is closing a 600-million-dollar deal with the international company PANOKO, and the Russian government is not a player

Igor Trifonovich Gavrilov, deputy chairman of the RSFSR Council of Ministers, member of the Committee for Efficient Management of the Economy, responsible for the fuel-energy complex within the committee. Fifty-two years old. Married. A candidate of Geological and Mineralogical Sciences, a doctor of Geographic Sciences. Worked in the system of the USSR Ministry of Geology and the Ministry of Medium Machine Building, headed the Department of Efficient Use of Natural Resources of Moscow State University. Was involved with geophysical methods for mineral prospecting, worked with problems of burying radioactive wastes, a specialist in the field of complex ecosystem management. I. Gavrilov gave his first interview in the capacity of a member of the USSR Committee for Efficient Management of the Economy to EKONOMIKA I ZHIZN.

[Golovachev] Igor Trifimovich, first of all I would like to hear your appraisal of the present state of the fuel-energy complex.

[Gavrilov] To be brief, the country's fuel-energy complex, just like the other production sectors, is in stagflation. This is a precise economics term—a combination of decline in production with inflation. The reason, by my deep conviction, lies in the fact that the highest leadership of the country never approached economic reform strategically, from a systems point of view. If one analyzes all the decisions of the Ryzhkov and Pavlov governments and the USSR President's decrees, they represent piecemeal attempts. Price hikes on various products, tax policy, material and equipment supply, privileges in foreign economic activity—these economic instruments were used chaotically, without any coordination. From this resulted the collapse of the whole economy, including the energy sector.

[Golovachev] Then how, in crisis conditions, will the relations of the republics among themselves be formed? Some republics, for example, do not intend to join the proposed ruble zone. But until now they have been

paying for Russian oil with "wooden rubles," throwing the responsibility for the growth of inflation on the shoulders of the RSFSR government. Russians don't need the future latas and krons which are not backed up by anything. Can you, as the deputy chairman of the RSFSR Council of Ministers, say when the sovereign republics will begin to pay hard currency for Russian oil? Isn't it already more advantageous today to sell the "black gold" abroad and buy there the goods which are being sold in Russia from other republics?

[Gavrilov] The question is very complicated. In principle mutual currency payments according to world prices are not ruled out. However the approach here must be comprehensive. If we take the Russian economy, then we would have had to introduce normal prices on natural resources and on energy sources in particular a long time ago. The usual argument against raising prices is the thesis that it would extend the wave of inflation. But after all one can control the inflationary process.

Right now the price of oil is 70 rubles a ton. In the interests of the territories, it is essential to introduce a fee for mineral resources. The fee for mineral resources, naturally, will go into the cost of production.

Calculations show that it was necessary to set the price for a ton of oil at 230 rubles as far back as the beginning of this year. By using a fee for mineral resources, a territorial fund can be formed which will be spent on the renewal of various natural resources, on recultivation and ecological measures, on social development programs of various regions. From 1 January 1992 we are simply obligated to carry out a new pricing policy.

However this does not mean that free world-market prices will be set on energy sources. They will be regulated, governmental prices. The main thing, I repeat, is that such prices will provide for the possibility of socio-economic development of the territories and the self-financing of the fuel-energy sectors. The calculation packages are being prepared right now. The price of a ton of oil comes to, as I already said, 230 rubles; a thousand cubic meters of gas - 86 rubles.

Future relations with consumers of energy resources will depend on whether they sign the new Union Treaty or not. For those republics which join the Union, the prices will be regulated and governmental. Buying and selling relationships with independent governments must shift to the world price level.

The question arises: Moldova does not have any hard currency. So, according to the understanding with the leadership of the Moldovan Republic, "clearing" is being introduced. My position is that this clearing must include various means of payment for oil and gas. Not only, say, with food products from Moldova, but also with a possible payment of property located in the territory of the republic.

[Golovachev] But clearing with sovereign republics does not solve all problems. It is impossible to speak of the development of the fuel-energy complex without the development of a machine-building base. For this, hard currency is needed and there isn't any in the republics which have broken away. Western countries are ready to pay hard currency. For what reason does Russia trade, as before, at a loss with the already independent Baltic republics?

[Gavrilov] I will ask a counterquestion: is that the only way to solve it? No. Right now we have the Ministry of the Petroleum and Gas Industry, the concern "Gasprom," and the Ministry of the Coal Industry. If one could break the departmental barriers and create a joint stock company to carry out exploration, production, processing, and transport of mineral resources, one could gain 10-12 billion rubles on this alone. The oil workers are demanding centralized capital investment amounting to 15 billion rubles. In other words, by changing the management structure, we can gain a lot.

[Golovachev] In the press there appeared briefly a report about the concluding of a major deal between the Tatarneft association and the international oil company PANOKO. Drilling of two thousand wells in Tatarstan is planned. The sum total of expenditures is estimated at 600 million dollars. Couldn't you tell us about this deal in a bit more detail? For example, how much oil will go abroad? And secondly. Does this mean that now the leadership of, say, Krasnoyarsk Kray can independently sell half of its timber resources abroad, while the miners of Kuzbass can sell the West as much coal as they like at their own discretion?

[Gavrilov] Briefly my view is the following: up to the present, ownership of mineral resources has been governmental, according to all prevailing legislative and normative acts. I respect the sovereignty declared by the Tatar and other republics, but one must respect also the economic basis of the state as a whole. As for this specific project, I can't say anything precise right now because I don't have the documents on it. In any case, the rules for concluding similar agreements should be the same for all: first, a competitive basis for the technical designs. And secondly, the principle of the "safe with two keys," when one can open the "safe" of mineral resources only with the agreement of the region and the Russian government. These conditions were not observed; that is why it is premature to talk of the subsequent fate of Tatarneft's contract with PANOKO.

[Golovachev] Igor Trifimovich, one of the sore points is the management and functioning of the atomic energy complex. The republics' attitude towards nuclear power stations is highly ambiguous.

[Gavrilov] Here, indeed, there are still many issues, but they are all resolvable. First of all one must clearly realize the certain element of risk in using atomic energy today. Consequently, there should be heightened requirements for safety equipment, radiation monitoring, and so on.

The desire of the republics to take everything that is located on their territory for themselves is natural. But this also places an increased responsibility on them. For example, the international community gives permission to operate facilities of heightened nuclear and atomic danger when there is a state organ responsible for the safe operation of the nuclear power station. In other words, if one of the republics takes a nuclear power station under its "wing," then this will entail an economic responsibility as well. For this reason I don't see any "pitfalls" which hinder one or another republic from taking over operation of a nuclear power station. In the West, in particular, along with state structures there are also commercial structures which not only build but also operate such facilities.

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## Our Information:

- In the USSR, according to specialists, the construction and design of power units for 64 power stations with a total capacity of about 160 million kilowatts has been stopped.
- In the past five-year period power units with a total capacity of 10-20 million kilowatts were brought on line annually. During the last two years it was 5-6 million.

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[Golovachev] Last question. What awaits the industrial workers and the population of the country in winter? Are factory shutdowns possible, in your opinion, and if so, then which ones and where?

[Gavrilov] The Committee for Efficient Management of the Economy of the Country has adopted a special expanded resolution which has been coordinated with all the republics which are members of the Committee. With current deliveries of fuel and power there could be a fairly tense situation in many regions of the country. Especially in the Far Eastern economic region and in the northern Caucasus region. There are shortages of electric power there, and consequently heat shortages. This is associated with the closing of a number of power stations for ecological reasons and with past mistakes in electric power development.

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## Our Information:

- In developed countries of the West the reserve power capacity averages about 25 percent; in our country, on the order of five percent. Any serious interruption in the operation of even one power plant can bring a large region to its knees.
- In the middle of September in Petropavlovsk-Kamchatka and nearby villages electric power was shut off twice in one week. The cause: the strained fuel situation on the peninsula.

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[Golovachev] I don't want to go into detail. But if the winter will be colder by 5-7 degrees, as predicted by meteorologists, and given a fall in fuel and power production by 15-18 percent, even 20 percent by some calculations, then the shutdown of a number of enterprises will be required.

[Gavrilov] Here the following criteria will be considered: first, the power consumption of the enterprise; second, the importance of its products for the national economy; and third, the number of workers employed at the given factory and, consequently, the size of the compensation payments. A comprehensive assessment of these factors is provided for.

Right now intensive work is being done on specific regions and cities to build reserve power capacities, right down to the connection of mobile electric power and heat units, when necessary. The resources of the Ministry

of the Marine Fleet and the military complex have been mobilized. A draft Decree of the President of the USSR has been prepared on the reduction of fuel consumption, including by the USSR Ministry of Defense and enterprises of the defense industry. Straightening air routes, which right now go along winding routes due to various reasons, has been considered. From just 200 air routes the fuel savings will reach 220 thousand tons, or 50 million rubles. And not all routes have been examined. And, of course, we all have to winterize our own apartments.

[Golovachev] And the population won't be left this winter face to face with the frost?

[Gavrilov] No. In the preparation of all decisions the Committee for Efficient Management of the Economy of the Country and the government of Russia were guided by the chief principle: assurance of the vital activity of the population.

**Our Information: From USSR State Committee for Statistics data: Production of Various Forms of Fuel**

Year	Oil (including gas condensate) millions of tons	Gas, billions of cubic meters	Coal, total, millions of tons
1980	603	435	716
1985	595	643	726
1986	615	686	751
1987	624	727	760
1988	624	770	772
1989	607	796	740
1990	570	815	703

In the first half of 1991 oil production fell another 27 million tons

**FUELS**

**Sakhalin Oil Tender Winner Expected to Be Announced**

*OW141113391 Moscow INTERFAX in English  
2202 GMT 13 Nov 91*

[From "Soviet Business Report"; following item transmitted via KYODO]

[Text] By the end of this year, it is expected that the winner of the Sakhalin tender will be announced from among 11 foreign companies who put in their bids to develop the oil and gas fields off the coast of Sakhalin last year.

The winner of the tender will gain access to colossal reserves of oil and gas. Some estimates put these at more than 500 million tons of oil and condensate and more than 100 billion cubic meters of natural gas. Oil production could reach 5-7 million tons a year and natural gas 20-22 billion cubic meters. Capital investment in the fields should amount to at least \$10-12 billion.

Bidding for the tender was organized by the Ministry of the Oil and Gas Industry of the USSR (Minneftegazprom), the State Geological Committee of the RSFSR (Goskomgeologia), and the Sakhalin authorities. The results of the competition are to be decided by a special commission composed of representatives of the three organizing bodies.

It was at first thought that the winning company would become one of the partners in a joint venture on Sakhalin, and the work of this joint venture as conditional on the immediate development of the oil fields and the provision of gas for the Soviet Far East (up to 8 billion cubic meters by 1995).

The following foreign companies and consortiums took part in the bidding:

- McDermott, Marathon (U.S.), Mitsui (Japan)
- Shell (Netherlands), Sodec (Japan)
- BHP (Australia), Amoco (U.S.), Hyundai (Korea)
- Exxon (U.S.), Sodeco (Japan)
- Idemitsu (Japan)
- Mobil (U.S.)

**New Rules for the Game**

But early in October, just a few days before a decision on the tender was to be made, the Sakhalin Administration came up unexpectedly with a package of new demands. In a letter to the competing companies, Mr. Valentin Fyodorov, the Governor of Sakhalin, requested that the island's authorities be provided with additional information by November 10. This information should include a report on the technical resources of the company concerned and their credit rating over the last 10 years.

But, at the same time, the administration set a number of fundamentally new conditions. The companies were asked to take part in the "rapid development" of the industrial and social infrastructure of the island (involving additional costs of an estimated \$6 billion) and begin work in the first instance on the gasfields rather than the oilfields. Then, Sakhalin turned down the idea of a joint venture for developing the offshore fields. Furthermore, it split the original tender into two parts: one for the offshore development; the other for building a petrochemical industry on the island.

Sakhalin has retained its demand for gas supplies to meet the island's needs. By the end of the decade, the developing company will be expected to be providing an annual 5-7 billion cubic meters.

Two American companies, Mobil Oil and Exxon, have already indicated their willingness to "participate in the development of the island's infrastructure" and have transferred large sums of money and shipped food and medicines "as a gift for Sakhalin."

**Silayev Signs Decree on Fuel Supply**

*LD1511042191 Moscow Central Television First Program Network in Russian 2120 GMT 14 Nov 91*

[From the "Television News Service" program—read by announcer]

[Text] Ivan Silayev signed an instruction today, the essence of which provides for further steps for the stabilization of providing the national economy of the country with oil, gas, coal and heat and electric power. Anticipating cold weather, the committee headed by Silayev recommends that the Russian Council of Ministers not only pay bonuses to miners and timber workers, but also allocate exclusively for them cars, refrigerators, and other consumer goods in short supply. Usually such decisions are made if there is the threat of a crisis or major strikes.

**Bashkir Pipeline Explosion Hearing Begins**

*924A0228A Moscow SOVETSKAYA ROSSIYA in Russian 19 Nov 91 p 2*

[Article by Zh. Alekseyev: "In the Wake of the Bashkir Catastrophe"]

[Text] The hearings on the case of the explosion in Bashkiriya, in the area of which passenger trains No 211, Novosibirsk-Adler, and No 212, Adler-Novosibirsk found themselves, have begun in the Moscow Oblast Court.

I will remind you that the tragic explosion took place on 3 July 1989, on the Asha-Ulu-Telyak line of the Bashkir Division of the Kuybyshev Railroad. It took the lives of 575 people, and another 623 received physical injuries of varying degrees of seriousness. It caused the State material damages amounting to over 12 million rubles [R].

The fatal coincidence of the two passenger trains traveling on this line and the tremendous damage resulting from the catastrophe gave rise, at the time, to all sorts of conjectures and suppositions. The mass information media expressed many different hypotheses and suppositions on the causes of the explosion.

What did the preliminary investigation show? We asked this question of V. I. Cherkasov, member of the RSFSR Supreme Soviet and presiding officer on this case.

"In the course of the investigation, it was established that the misfortune occurred because of a gas leakage on the West Siberia-Urals-Volga pipeline, which lies 900 meters from the railway permanent way. The gas started to escape at approximately 2230 hours. For about 20-40 minutes, the explosive mixture continued to accumulate over a total area of 2.5 square kilometers. Unfortunately, the danger zone also encompassed the ill-starred section of the railroad on which the two passenger trains were fated to meet at 2310 hours. Because of the sources of sparking and combustion on the trains, the accumulated gas burst into flame and an explosion occurred."

Criminal charges in this case were brought against seven persons. Among them were the officials responsible for directing the laying of the pipeline and for permitting gross violations of the construction rules. These misdemeanors, which led to the loss of human life and other serious consequences, were stipulated in Section 2 of Article 215 of the RSFSR Criminal Code. The charge was brought in accordance with it.

Also among the defendants were two of the work superintendents of Nefteprovodkamontazh Mobile Mechanized Column No 1 of Glavvostoktruboprovodstroy, the chief engineer of the column, the chief of General Contracting Construction-Installation Administration No 1 of this trust, the chief engineer of the Almetyevskoye Main Product Lines Administration of the Minibayevskiy Gas Refinery and two chiefs of the line engineering-technological service, responsible for technical supervision. In addition, two of them have been charged with being guilty of criminal negligence, which is specified by Article 172 of the Criminal Code.

"This is the third month that the legal proceedings have been dragging on. They were set in Bashkiriya, and will end in Moscow, although it is hard to tell when," said V. I. Cherkasov.

"This case is very unusual," he added. "The particular approach to it is caused primarily by the measure of the tragedy, which staggers one's consciousness. Its causes and effects must be analyzed attentively, without prejudice. I hope that the conclusions drawn by the court will serve as a good lesson for all of us and will help to protect all of us from horrible tragedies of this kind."

### **Chukotsk Okrug Gas Deposit Development Stalled**

*LD2011003591 Moscow Central Television First Program and Orbita Networks in Russian 1030 GMT 14 Nov 91*

[Y. Kurmyshev video report; from the "TV Inform Program"]

[Text] Chukotsk has its own share of fuel resources. Apart from coal, which has been mined here for a long time, large deposits of petroleum and gas have been discovered in the coastal lowlands. However, for the past two decades they have been left untouched.

[Begin recording] [Kurmyshev] It would seem that this cheap raw material just cannot fit into the old system of energy supply of this kray, which is still controlled by the republican ministries. It was the local authorities who undertook to make the development of power engineering serve the regional socio-economic and ecological interests, instead of bureaucratic ones.

Their first step was converting the Anadyr heat and electric power plant from coal to gas, which is cheaper. Here it is, the purest methane with almost no admixtures. All that has to be done is lay the pipes. [Video shows aerial shots of a gas drilling rig, crew operating it, burning gas bursting from the frozen ground] It was decided that a non-governmental organization will attend to this.

The project includes the founding of a joint-stock construction company. According to all calculations, it will complete the project in two years and will do it within the limits of 20 million rubles, which will be repaid and will yield dividends in a very short time. The Russian Council of Ministers, where the Chukotsk authorities turned for credits, gave no money. Instead, it strenuously advised them to create a state enterprise and demand investment of capital—in other words, they tried to again bring it under the state's wing. [Video shows a power station, then it cuts to an interview with A. Nazarov, Chairman of Chukotsk okrug executive committee]

[Nazarov] We have been working on this deposit since June, and generally we are not dealing with the question we had before about obtaining money. We will invest it and ask for credits. In these parts we get preferential credit, but we work for it. Regrettably, the government has procrastinated again and we are forced to [words indistinct] according to new prices. They should allocate the territories, solve the matter quickly and listen to our opinions. [end recording]

### **ELECTRIC POWER GENERATION**

#### **Fall in Uzbek Electricity Supplies Expected**

*LD1811101991 Moscow TASS International Service in Russian 0015 GMT 18 Nov 91*

[By UZTAG-TASS correspondent]

[Text] Karshi/Kashka-Dar'ya Oblast/, 18 Nov (TASS)—One hundred kilowatt-hours a month is all that inhabitants of rural rayons of the oblast will pay for at favorable rates now. This decision was adopted by the oblast executive committee with a view to stabilizing electricity consumption. The privileges, introduced two years ago, led to a sharp increase in its use. However, according to forecasts by specialists, electricity production in the region will fall this winter.

**Financial Dealings of 'Solidarity' Trade Union Explained**

*924A0222A Moscow RABOCHAYA TRIBUNA  
in Russian 16 Nov 91 p 2*

[Article by Mefodiy Martynov: "Millions in the Pocket"; in response to an RT reader's letter]

[Text] Millions in the pocket is no marvel for machinators, who are living free and easy under the "Solidarity" roof.

Dear Editors! Just a little over a year-and-a-half ago, our trade union of workers in the cooperative sphere, later called "Solidarity," was created. Its directors promised the trade union members all sorts of social blessings and benefits. I asked for a travel authorization for a health resort, though—they refused me. They said, there are no funds to acquire travel authorizations. At the oblast conference, however, it was reported that V. Bulavintsev, chairman of the oblssoviet, had squandered over 7.5 million rubles [R], no one knows where. Is this what happens, then? There is no money to buy a travel authorization, but millions are spent for no one knows what. Can you perhaps help to investigate what is going on in our trade union?—A. Koval, Progress Cooperative worker, Gorlovka.

Not long ago, a cash box was stolen at one of the sovkhozes in Donetsk Oblast. The criminals carried off R200,000. The local newspapers wrote about this incident, and a special operations group was created to seek out the thieves.

The heightened attention paid to this crime is understandable—the amount stolen is sizable, and the criminals must not be permitted to have a good time in freedom and parade around on the people's money. It turns out, though: much larger sums are stolen and no one makes a fuss, and no special investigative groups are set up. This is precisely what happened at the oblast council of the cooperative trade union, headed by Yu. Pivovarov. The latter was exposed by none other than V. Bulavintsev, deputy chairman of the oblssoviet. In the absence of the chairman, a conference was convened, and this stunning piece of news was announced to the participants: the chairman had embezzled R11 million! Stunned by this figure, the delegates dutifully voted for the removal of Yu. Pivovarov, provisionally, it is true. It was entered in the resolution: make a careful financial audit and discuss its results in three months.

Since that time, not three, but more than six months have passed, but no one has heard any answer from the inspectors. Not because there was no audit. There was! The public prosecutor and local KGB organs, in addition to the audit commission, checked the financial activity of the trade union. They looked at every document, as they say, in a bright light, and still found nothing criminal in the actions of the chairman who had been removed.

On the other hand, they discovered something quite curious in the financial operations of V. Bulavintsev himself. While still a deputy, with the right to sign financial documents, he personally, without notifying either the chairman or the members of the presidium, lavishly dispensed, from the social insurance fund, money that was "needed for the people"—to some for a permanent and interest-free loan, and to others, for no particular reason. For example, R1,805,000 was let loose to the Yedivenye Commercial Center. For what? Evidently, because his wife works there. There is no other explanation.

Valeriy Petrovich did not pass over, in his lavishness, the associates who had helped him to seize power—L. Ostronskiy, S. Topalov, S. Burban and V. Yakusevich. The enterprises that he headed received from the trade union cash-box a million here and over two there. V. Bulavintsev did not hurt himself, by transferring R70,000 to the account of the small Mius-K enterprise, where he is director.

At least the incentives are clear here, though—he gave to "his own people." So far, however, there has been no explanation of the purpose for which Bulavintsev forked out a half million rubles to the Donets High-Voltage Pole Plant, which has no relation at all to the cooperative. There is also no answer to the question as to where the R3.5 million went that was allegedly transferred to build a hotel in Sudak. The audit commission established the fact that not only is no hotel being built there, but there are not even any planning documents.

A similar operation was carried out with the small Inter-Donetsk enterprise, which received a million and a half from the trade-union cash box, allegedly to pay for a trip to Turkey for the workers. Since then, however, not a word has been heard of either the money or cruises to the Turkish shore.

M. Smirnov, chairman of the trade union audit commission, thus decided to "shed light" on these—let us call a spade a spade—shady machinations. The removal of Yu. Pivovarov from the post of chairman of the oblssoviet, he claimed, had been implemented by V. Bulavintsev and his associates only for the sake of seizing the "keys to the safe." It was for the sake of this that the materials of the trade union conferences, at which, instead of delegates, they invited people at random for a quorum, were falsified. For example, the last one was attended by 157 delegates out of 360, but it was entered in the minutes that there were 243 of them.

One could go on for a long time about all the upheavals of the struggle for power, in the course of which any means were used. Even though the oblast trade union conference in September reinstated Yu. Pivovarov in the position of chairman of the oblssoviet, V. Bulavintsev and his comrades-in-arms do not want to acknowledge this. They persist in this....

There is a rumor: it looks as though the oblast would soon have two trade unions. Still, what happened to

those 7.5 million social insurance rubles that vanished from the trade union cash box? After all, they belong to everyone. The oblast procurator's office, it seems, is in no hurry to "dot the i's" in this story. Just recently a criminal case was instituted, which is neither good nor bad. The indignation of the rank-and-file members of the trade union is fully understandable—after all, they were simply robbed.

The oblast council has outlined broad social problems—to build boarding houses and rest bases and to organize the leisure time of the workers and even the work of amateur artistic circles. Now the number of social measures outlined has to be restricted—the funds are insufficient. Today, no one can say whether it will be possible to return them.

#### Chief Discusses Early Activities of Labor Market

924A0188A Moscow PRAVITELSTVENNYY VESTNIK  
in Russian No 39, Sep 91 p 6

[Article by V. Pokhvoshchev, chief of the Main Employment Administration of the USSR Ministry of Labor and Social Problems: "Discharge"]

[Text] Chief of the Main Employment Administration of the USSR Ministry of Labor and Social Problems V. Pokhvoshchev comments on the first months of activity of the labor exchange.

As we know, registration of the unemployed began on 1 July. During the past two months more than a million people who would like to find employment have applied to the employment centers or, as they say, labor exchanges. According to preliminary data, 100,000 of them have been registered as unemployed.

Of course, such an army of free hands did not appear overnight. In the past, as well, there were tens and sometimes hundreds of thousands of workers, engineering and technical personnel, and employees who for various reasons ended up out of work and were in search of employment. Everyone knew about them but officially they were not recognized as unemployed. So we have received a significant "legacy" from the past. Moreover, because of the political and social processes taking place in the society, a fresh "discharge" of terminated employees has been added to the previously concealed and now legalized unemployment. They are mainly managers from structures that have been abolished and workers of party organs.

Nor can one fail to see that all branches, regardless of their forms of management, are sitting on a powder keg—because of the disorder in supply and the reduction of the volumes of production, a mass of people are left unemployed. In hope of better times the plants are trying to retain them and support them by paying them all kinds of stipends. But this cannot go on for long, and soon we will have a new wave of superfluous people—now some of the people are being released from the

machine tools of certain enterprises, and from others which have been forced to admit their bankruptcy—all of them.

What are we doing to help the people who have ended up "out on the street?" On the basis of the Fundamentals of Legislation on Employment of the Population, in all regions a network of services is being developed which is intended to help those who need it to find work and to support them materially, and morally as well, during this difficult period of their lives. It is necessary to open up 3,000 centers—labor exchanges. About 1,000 of them are already in operation.

Organs of the state employment service have been created in practically all cities and in the majority of rural rayons. There are 129 of our subdivisions in the Ukraine, and we intend to open 44 more. In Kazakhstan 47 new centers have been opened, and in Kyrgyzstan, 14. Employment services here are staffed with 70-80 percent of the normative numbers of workers. There has been an appreciable expansion of the labor placement network in Belorussia, Azerbaijan, and other republics.

At the same time it must be admitted that the formation of employment services is not proceeding at high rates. This can be explained by two factors: the lack of funds for financing and the inadequate amount of attention paid to the employment service by local soviets. In a number of territories the number of unemployed has remained the same because of a lack of financial funds—Leningrad Oblast, Volokalamskiy Rayon of Moscow Oblast. At the same time, in places where enough attention is devoted to this by local soviets, many problems have been solved. For example, in Volgograd Oblast the active support of the oblast soviet of people's deputies has made it possible to create employment services in all six cities under oblast jurisdiction and in 27 of the 29 rayons of the oblast.

Structures, staff distribution tables, and provisions of the state employment service have been approved in Karelia. The republic has created four centers and 30 employment offices. Republic structures have been assigned the duties of serving the population of Petrozavodsk.

But Uzbekistan, Moldova, and Turkmenia have not yet adopted laws on employment. There is no law, no legal basis for effective action. Certain republics have not arranged for cooperation with education organs or training institutions. There are still disputes regarding a number of issues, although it is time to start thinking about the people who have ended up in this difficult position.

Naturally, there are plenty of problems: premises, personnel, funds... There is a need for 35,000 professionals: 8,000-9,000 consultants, 3,000-4,000 inspectors, 6,000-7,000 financial experts, and several thousand occupational orientation specialists. In addition to these, it is necessary to train 4,500 specialists in evaluating the labor market, predicting employment, developing programs, and organizing social work. Where are we to get

## LABOR

JPRS-UEA-91-043  
29 November 1991

them? Some of the unemployed managers and former party committee apparatchiks can be used—among them, as we know, there are many experienced specialists. We are now actively training the personnel we need on the basis of the All-Union Institute for Improving Qualifications of the USSR Ministry of Labor and Social Problems. Under the All-Union Scientific-Methodological Center for Occupational Orientation and Psychological Support which has been created, a department will be opened which will provide a one-year course in training occupational consultants. A specialized higher educational institution will begin to function on the basis of the All-Union Center for Occupational Orientation in 1992—secondary school graduates will be recruited. The vocational and technical schools have responded well to the demands of the times. Many of them are allotting space for training personnel in cooperation with our service.

The question of the employment fund is critical. According to the law, as early as 1 February of this year the enterprises are to transfer 1 percent of the wage fund into it, but many of them are not doing this. As a result, we are having difficulties in implementing regional programs, developing new services, providing guarantees of material support for individuals declared to be unemployed, and also with training personnel. It would be interesting to know what these businessmen think they would do if tomorrow their workers or they themselves had to apply to the labor exchanges.

So far the republics too are failing to transfer into the Union employment fund the money necessary for financing the five interregional programs envisioned by the agreement of leaders of labor organs of the 11 sovereign republics. They say they are using this money for themselves, on their own territory. This is true to a certain degree, but we should not forget about the need to coordinate our joint efforts. Everyone can see that we cannot get along without this, even in the Baltic states which have just gained their independence.

We have no time for vacillating. Unemployment is a reality of our times. We must organize ourselves on the move in order not to leave people facing life's problems alone.

#### Youth at Highest Risk for Unemployment

924A0188B Moscow *PRAVITELSTVENNYY VESTNIK* in Russian No 39, Sep 91 pp 6-7

[Interview with Z. Kupriyanova, senior scientific associate of the All-Union Center for Study of Public Opinion and candidate of economic sciences, by A. Bystrov: "Today Unconcerned, Tomorrow Unemployed"]

[Text] Which categories of the population are most at risk of being left without work? Sociologists answer: women, youth, disabled people, discharged servicemen, managers... Why? Our correspondent discusses what caused this "disfavor" toward one of these groups, youth, with a

senior scientific associate of the All-Union Center for the Study of Public Opinion, Candidate of Economic Sciences Z. Kupriyanova.

[Bystrov] Zoya Vasilyevna, you just conducted a poll on this subject in Russia, the Ukraine, Belorussia, Kazakhstan, Georgia, Moldova, and other republics. What did it show?

[Kupriyanova] Yes, we questioned 3,152 people of various ages. We asked what, in their opinion, determines success in life nowadays. It turned out that little more than one-fourth (28 percent) think it depends primarily on one's love of work. And men attach much more importance to this quality than women do.

In second place was—communication. The significance of this factor for well-being was approximately the same in the assessments of all age groups. It is considered to be the decisive factor by 22 out of 100 people. Next most widespread in the assessment comes abilities—one-fifth, and the material position of the parents—15 percent.

Youth under 20 years of age who are just entering adult life think the main items for success are the material position of the parents, abilities, and communication. And they do not hold a love of work in high esteem. They name it much less frequently as the main factor in success in life. To be sure, by the age of 25 the significance of abilities becomes greater in the minds of youth, but by that time, as a rule, their choice has already been made, and few decide to change. So what they think as children will affect them throughout their lives.

At ages 25-29 communications and a love of work are ranked first as the main factor, although their hope for themselves is still very weak.

Years of life experience lead to an underestimation of this factor of success. Beginning with 40 years of age the significance of a love of work begins to increase in their assessments, and in age groups of 50 years and older half of those questioned rely on their own diligence.

Thus one can see quite clearly a significant underestimation by youth of the significance of their personal efforts for achieving the goals they set and success in life, and a widespread orientation toward assistance from parents, communication, and luck.

And at the same time on labor essential changes are brought about by the transition to the new conditions for management. A young person reaching working age finds himself in dynamically changing conditions in which he is to find his own place.

[Bystrov] Is he prepared for this?

[Kupriyanova] The lessening of chances for youth were mentioned by lessees both in industry and in agriculture as well as people engaging in individual labor activity. Unfortunately, almost one-third of the youth questioned in general have no idea of the root of the changes in their possibilities and prospects. This cannot but influence the

correctness of the choice of paths along which youth will have to adapt to the changing conditions for the application of labor.

[Bystrov] What is meant by adapt? Change occupation? Or is it sufficient to adjust psychologically? All this is very complicated. Youth do not have much opportunity to decide for themselves.

[Kupriyanova] That is true. Take just the problem of a free choice of an occupation. To the question: "Does a young person always have a free choice of an occupation?" 52 percent answered in the negative. And within this group there were 1.4 times more pessimists among those under 30 years of age. To the question: "Have you personally managed to obtain the occupation you had hoped for?"—60 percent answered in the negative. And the number of workers in other than their chosen profession was 1.3 times greater among women than among men. An indirect indicator of the importance of working in their chosen occupation is the fact that an attitude toward work as an unpleasant necessity is encountered among those who did not manage to obtain their chosen occupation three times more frequently than among those who did.

[Bystrov] What are the basic, major obstacles that make it impossible for many people to realize their dreams?

[Kupriyanova] In first place among the impediments to realizing their hopes for an occupation are family circumstances, in second place—the material position of the family, and only after that—the lack of the necessary training institutions where the person lives.

[Bystrov] And so a person reaches working age and acquires the wrong occupation and goes to the wrong job. What can we expect of him? Is this why we work so poorly?

[Kupriyanova] That is one of the reasons. But now we cannot fail to speak about the alarm caused by the immaturity of our successors, their inability to adapt to the market, which means also alarm about their ability to survive. Tomorrow we could have either one more lost generation or rebellion.

[Bystrov] Tell me, there are now many discussions to the effect that youth are not inclined to work at all—they would rather just listen to music and dance. While in the West they know that if you do not work nobody will feed you, in our country dependent attitudes are still strong. Is this true?

[Kupriyanova] As a result of the system for educating the younger generation that exists in our society, under the influence of the realities of our life, youth who are just beginning to work have a fairly low level of labor motivation: Approximately half of the young people are oriented solely toward earnings; there are quite a few who work only under the pressure of necessity; and for one-third labor is not a major activity in life but essentially something to be endured, an unpleasant duty. The

family continuity in passing on a skill has been broken. There is no master-father and there is no master-son.

Essentially, on the threshold of the year 2000 we cannot say that a new type of worker with a high level of labor motivation is being formed.

How to create conditions for a worker who is capable of discovering, creating, and effectively conducting his own business—a worker-entrepreneur—is a special problem. Life will more and more energetically urge people toward "their own business." How widespread is this type of worker among our youth? In general, the people we spoke with revealed a great similarity of views regarding this question. Half of them answered: "There are no people like that" or "Only a few of them." And a little less than a third think that there are many of these people. And some people have no opinion about this at all: They have not thought about it. The market will catch them unaware—these are the candidates for unemployment.

[Bystrov] To this one must add that the rights of youth are frequently infringed upon in industry.

[Kupriyanova] The poll confirmed that. In what situations are the rights of youth violated most frequently? In the distribution of jobs with varying degrees of advantage. When distributing collective earnings and bonuses. When distributing social benefits (passes, coupons, goods, etc.). When drawing up the schedule for work and shifts. We are faced with a conflict in public production which is characterized by dissatisfaction of a large part of the youth with their position in the sphere of labor and frequent encroachment on their rights and interests.

The restructuring of the entire system of jobs in the country's public production will affect many workers. In this connection one can quite easily understand the uneasiness about one's own personal employment. People are much more afraid of losing their jobs now than they were three-five years ago. In the majority of cases the age of the worker will not play a decisive role when the staffs are reduced. But many young people are convinced that they will be the first to go.

[Bystrov] Are the boys and girls filled with a sense of the danger they are in today if they do not take the initiative during the transition to the new forms of management, show their diligence, and work on increasing their mastery? Or are they placing their hopes in a rich uncle as they did before?

[Kupriyanova] The conviction that if they lose their jobs the state will not let them "fall," that it will protect them and help them find a new job and will not let them sink into poverty is not widespread. The majority of those who are convinced that the state will definitely come to their aid are among the elderly—over 55—and the youngest—under 20. The former have gotten used to this and in their lives have repeatedly been convinced that the state has never allowed a great deal of freedom of choice or the possibility of showing initiative in

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arranging their own career, but it has never allowed them to "fall" either. And the older generations have not lost this faith of theirs. The very young still largely idealize the situation in public production and the labor market, and, perhaps, this explains their naive confidence. Workers 25-39 years of age typically have the least faith. Among them there are 1.2 times more than average who are convinced that the state will not protect or help them.

[Bystrov] But in general who should protect the interests and rights of youth?

[Kupriyanova] We asked this question as well. They answer: trade unions, the administrations of enterprises, the state. Some people think that the youngest workers must keep track of the observance of their own interests and rights. And the local soviets and social organizations (including the Komsomol [All-Union Leninist Communist Youth League], party, and so forth) received no "votes" at all. Youth do not place as much hope in trade unions as their fathers and grandfathers did.

[Bystrov] Among the most typical instruments of state influence on various spheres of life, including the sphere of labor, are undoubtedly the laws applied to them. The law "On General Principles of the State Youth Policy in the USSR" was adopted in April 1991 especially for protection of the interests and rights of youth. This law was published in the central press. In May 1991. Do young people know about it? What do they think?

[Kupriyanova] Only four out of 100 were thoroughly familiar with the content of the law. This shows once again the helplessness of youth going out into the stormy sea of life. On the other hand, this is also an indicator of their attitude toward labor norms—people are convinced that the laws will not provide for protection of their rights. Young people are especially pessimistic.

[Bystrov] What are the main conclusions from your poll?

[Kupriyanova] The society should be concerned about youth's serious underestimation of the significance of personal efforts and hard work in achieving success in life and their widespread orientation toward help from their parents and communication. With this attitude the younger generation might not "fit in" to the new way of life. And this would be a tragedy not only for the young people but also for the society itself. Young people link success in life to their own attitude toward labor and high labor morale to a much lesser degree than older people do. And, after all, they will be working in the next millennium! So far they are not prepared for their high calling.

[Bystrov] What, in your opinion, must be done in order to incline youth to enter actively into the new conditions of life?

[Kupriyanova] That is a broad question, and it is difficult to grasp. I would note three aspects. Well, first, it is necessary for youth themselves to recognize that the times are different—the time of idle youth (staying a

child until the age of 20!) has passed and today their destiny might turn out like this: Today—unconcerned, tomorrow—unemployed. Second, the entire system of education (at home, in the schools, on the street, in the clubs) must be restructured immediately—we must move from pleasant anticipation to active work, enterprising, and a desire to handle one's own affairs. And third—the transition period must not be dragged out endlessly: The more indefinite the conditions of life, the weaker people's internal resolve. A decisive break, although it might be more painful, would provide the joy of renewal and "harmony" with the new style of life.

### Moscow Employment Center Director Interviewed

924A0173A Moscow ARGUMENTY I FAKTY  
in Russian No 44, Nov 91 p 3

[Interview with I. Zaslavskiy, general director of the Employment Center of Moscow, by G. Valyuzhenich; place and date not given: "Find Me a Job"]

[Text] The first unemployed have already been registered by employment services, and are already drawing benefits. The machinery has been set in motion. How does it operate? Thousands of practical questions have come up. This is why we decided to talk to I. Zaslavskiy, general director of the Employment Center of the city of Moscow.

[Valyuzhenich] Igor Yefimovich, shall we begin with statistics?

[Zaslavskiy] Since 1 July, 37,600 people have turned to us for help. More than 15,000 of them have already been placed in jobs; 6,600 unemployed entitled to benefits have been registered. More than 1,000 have drawn benefits since the moment of their registration. At present, 530 people are receiving benefits.

[Valyuzhenich] Please tell us what the terms for the payment of the benefits are, as well as the size of the benefits.

[Zaslavskiy] Under Russian legislation, benefits are paid for 12 months. For the initial three months, they come to 75 percent of wages at the last place of employment, in the subsequent four months—60 percent, and for five more months—45 percent. At present, the average benefit in Moscow comes to 265 rubles [R]. The benefits are paid through savings banks in order to make this convenient for the people.

[Valyuzhenich] So, a person comes to you, you register him, and then what?

[Zaslavskiy] Either we offer him vacancies right away, or if there are no vacancies in our bank, select a suitable job for him within 10 days and call him in at least once in two weeks. If someone refuses to take a suitable job twice, the payment of the benefit is delayed for three months.

[Valyuzhenich] You would agree that "a suitable job" is a very fuzzy notion...

[Zaslavskiy] I agree. The Law on Employment says that this should be a job which is commensurate with one's professional ability and previous earnings, which is located within a certain range from the place of residence (a one-hour commute to the place of employment has been set in Moscow for women with children).

[Valyuzhenich] Is an individual entitled to appeal the cancellation of benefits?

[Zaslavskiy] Yes, we have already had one court case. The court ruled for us.

[Valyuzhenich] What is the current ratio of supply and demand in the labor market?

[Zaslavskiy] Clerical workers and specialists with a secondary or higher education account for 90 percent of the unemployed. Meanwhile, out of 96,000 vacancies, 85 percent are in worker occupations. Despite the fact that highly skilled workers make between R800 and R1,500 at present, the clerical workers do not want to change their social status and work at plants.

[Valyuzhenich] Do new market structures take in your people?

[Zaslavskiy] We have many requests from cooperatives, joint enterprises, and associations. As a rule, they need highly skilled cadres. They need accountants, lawyers, insurance specialists, bankers, and support personnel.

[Valyuzhenich] Do many people go to the service sphere?

[Zaslavskiy] Unfortunately, few do. Perhaps, privatization will improve the situation to a degree. For a long time, they kept impressing on us that all jobs are good. Meanwhile, the wage policy made some professions prestigious while reducing others to an inferior status. This is how we were left without services. We will now have to reassess many values. For example, nobody abroad finds employment in the service sphere to be shameful.

[Valyuzhenich] What are the ages of the people applying to your office?

[Zaslavskiy] About 45 percent of the unemployed are over 45. We have registered about 1,000 people of preretirement age. Rather than wait for such people to be laid off by the thousands, we have resolved to grant them the right to retire early (two years earlier) if we are unable to find suitable jobs for them, taking into account that Moscow is an "old" city.

We provide a retirement benefit in the amount of the benefit from the employment fund. If the retirement benefit based on labor tenure is higher, the Moscow pension fund pays the difference.

[Valyuzhenich] The Russian retirement benefit law provides for early retirement, does it not?

[Zaslavskiy] In principle, it does. Procedures for retirement are the issue. In our case, this is done on the basis of a decision by the government of Moscow and only on our recommendation.

[Valyuzhenich] Moscow and Moscow Oblast are now a united territorial region. Do you serve the unemployed from the oblast?

[Zaslavskiy] At present, we may offer vacancies to them and give some advice, but we do not issue referrals for employment.

[Valyuzhenich] Have many employees of the party apparatus applied to your office in conjunction with the suspension of the activities of the Communist Party?

[Zaslavskiy] This has to do with the fact that people who worked in the apparatus are actually not unemployed yet. They still receive salaries. Besides, the suspension of activities does not amount to a ban. Perhaps, the sign will change but the structures will remain, and the people will keep their jobs. Many people hope so. If the structures are liquidated the employees will receive severance pay for another three months.

So far, only 90 people have sought consultation with us. None have been higher ranking than the first secretary of the Sokolnicheskij Rayon Committee of the party.

We placed 10 from among them on our own staff because they are highly skilled professionals. I do not doubt that such employees will be in great demand.

As far as the top echelon of the party apparatus is concerned, these people have never walked in off the street, and they will not go out into the street either. They will look for work through well-established connections and their own channels.

#### Women Make Up Majority of Moscow Unemployed

924A0173A Moscow *IZVESTIYA* in Russian 31 Oct 91 Union Edition p 3

[Article by A. Zverev: "Unemployment Has a Female Face"]

[Text] The government of Moscow unequivocally evaluated the situation which has emerged in the capital city labor market as an emergency.

Strange and unusual as it may sound, mass unemployment in Moscow will become a reality any day. According to a projection by specialists, the number of citizens who have lost their jobs will be in the tens of thousands as early as the end of this year, and it will reach the 50,000 mark by July of next year.

By all signs, the first, truly serious jump in unemployment should be expected as early as the end of November when, in keeping with a well-known resolution of the government, dozens of departments reporting to the

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Union and to Russia will cease to exist. A total of 100 various management structures, slated to be abolished soon, exist in the capital city.

In the opinion of General Director of the Moscow Employment Center I. Zaslavskiy, in the next year, unemployment in the capital will remain markedly "intellectual in nature." He stressed that almost three-quarters of the Muscovites registered by the center have higher educations, and women account for an absolute majority of them (about 90 percent). Meanwhile, a study of the labor market in the city indicated that only one-tenth of the vacant jobs are intended for clerical employees. I. Zaslavskiy believes that the growing shortage of workers in Moscow testifies to the fact that the system of vocational and technical training of the city continues to operate for its own benefit.

What action is the government of Moscow taking in order to alleviate, at least to a degree, the consequences of the forthcoming wave of layoffs? It looks like the reduction of apparatus structures in the capital city will be implemented in several stages. A considerable percentage of the jobs to be cut at enterprises will be financed (to be sure, partially) from the city coffers for at least another year. Among other possible measures, the need to substantially increase the minimal size of retirement benefits for the residents was also discussed.

Let us note that the average unemployment benefit in the capital fluctuates around R266 at present whereas, according to some calculations, the subsistence minimum comes to more than R500. Will the size of these benefits increase as prices are unfrozen? Vice Mayor of Moscow Yu. Luzhkov noted that this is quite likely.

## CIVIL AVIATION

### Civilian Air Consortium Setting Up Transport System

OW0811045691 Moscow INTERFAX in English  
2319 GMT 6 Nov 91

[From the "Soviet Business Report"; following item transmitted via KYODO]

[Text] IBM, American Airlines, and Sirena-3, a consortium of Soviet civilian flight companies, have announced that in 1992 they will begin setting up a unified, automated air transport system in the Soviet Union. According to calculations forecast until 1996, the project will cost approximately 1.3 bn [billion] rubles and \$150 mn [million]. The Soviet and American partners have already signed a general agreement which sets forth their plans for developing and introducing the new system. IBM is also looking at the possibility of offering the Soviet consortium a \$85 mn commercial loan, which will mature in 7.5 years.

The automated system will comprise five information processing centers, equipped with Western machinery. They will be located at large Soviet industrial and transportation centers where the new networks can plug into existing regional information networks which utilize Soviet equipment.

As first step in implementing the project, the partners plan to establish an information processing center in Moscow, scheduled to open in the first quarter of 1993. In each ensuing year they hope to establish one more information processing center. Probable sites for the centers include Kiev, Novosibirsk, Sverdlovsk, and Alma-Ata.

### General Director Interviewed on Goals of New Air Corporation

924A0176A Moscow VOZDUSHNYY TRANSPORT  
in Russian No 46, Nov 91 p 4

[Interview with L. Nagornyy, general director of the Far Eastern Aviation Corporation, by B. Sidorenko, VOZDUSHNYY TRANSPORT correspondent; place and date not given: "Meet the General Director: Aviation Corporation—Prospects and Research"]

[Text] We are continuing to introduce people to those in charge of the newly created structures. In conversation today with VOZDUSHNYY TRANSPORT correspondent B. Sidorenko is L. Nagornyy, the general director of the Far Eastern Aviation Corporation.

He qualified for the post of commander of the second Khabarovsk squadrons as an experienced business executive and a good administrator.

[Sidorenko] Leonid Vasilyevich, you are among the initiators of the transition of civil aviation to market conditions. I would like to hear from you more details

about the purposes of the creation of the corporation and, naturally, what has already been achieved today.

[Nagornyy] The corporation has not been in existence very long—actually since February of this year. It includes the first and second Khabarovsk aviation corporations, the Vladivostok, the Blagoveshchensk, the Nikolayevsk, and Sakhalin, the OAO [Consolidated Aviation Squadron], TsAVS [Central Air Communications Agency], UTTs-16 [expansion not identified], and the OMTS [expansion not identified].

Of course, we have changed something in the structure itself during that time. It was developed by work groups of the enterprises. And after everyone reached an agreement the appropriate decision was made. The same thing applies to the leaders as well: It was not I who appointed one director or another but we elected them together. On the whole the corporation's skeleton is in place. And from my viewpoint it is working fairly well.

Although, of course, there are great difficulties, taking into account the instability of politics in the country and the drastic changes taking place in civil aviation. Take capital construction. While previously we began it with the state budget, now, we can invest only our own funds, including with incomplete construction. Or there is the acquisition of technical equipment that is allotted in exchange for our own money. Or the search for funds for the construction of housing, which is especially crucial for the Far East. The enterprises have taken out a lot of credit and they have nothing with which to repay it. In a word, there are many problems. We are now at a kind of financial impasse.

What are the paths we see for escaping from the situation that has been created? Over a period of eight months, of all of our enterprises we have only three that are clearly operating at a loss: the Nikolayevsk, the second Khabarovsk, and the Blagoveshchensk squadrons. Our task is to consolidate the Far Eastern aviators. So that there will be no such thing as "this is mine and that is yours." That is, to render effective assistance to the ones lagging behind.

Although even the profit we receive from our squadrons that are "well off"—the first Khabarovsk, the Vladivostok, and the Sakhalin—do not give us cause to say that these enterprises may continue complacently. For they still do not have enough profit to develop intensively or to build housing. And if one takes into account that the first Khabarovsk OAO has a very large housing fund in which it is necessary to invest a considerable amount of money for maintenance and repair, the situation is complicated even more.

When we next consult with the commanders we will try to develop a unified program for making all the enterprises profitable next year. Of course, it will be necessary to request technical equipment in order to have the possibility of improving economic indicators. As of today we are left without cargo planes while all our

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neighbors have them. We do not have enough passenger planes either. And this has an essential effect on the final result of our activity.

For today cargo shipments are concentrated mainly in Vladivostok and Sakhalin and it would be possible to obtain good dividends because of this. But we still do not have any Il-76's. Of course, we are trying to break into the market and acquire them, although we have missed the best time. True, the ministry promised to help us. I hope that it will keep its promise—and allot us at least three Il-76's to begin with. Then we would feel much more confident.

We have analyzed in depth the work of all the enterprises and have seen many reserves. We are now directing all commanders to work on realizing them. And in this they actively support me as general director. Of course, there are differences of opinion, but they do not turn into conflicts.

[Sidorenko] The differences of opinion probably arise when it comes to the distribution of profit. For it is necessary to help three collectives that are operating at a loss, which cannot but cause a certain amount of dissatisfaction on the part of those who earned this money.

[Nagornyy] Yes, that cannot be avoided. Some leaders have nothing against intimating to the personnel that others are living at their expense. In this connection, I liked very much the article in No. 38 of VOZDUSHNYY TRANSPORT by A. Sherstnen, "Arguments From the Third Side," about the Samara OAO. It clearly states that the lagging enterprises are not to blame; rather it is the system which led them to this. For example, what blame can be placed on the second Khabarovsk OAO, where all the equipment consists of An-2's, L-410's, and An-28's? It is well known that it allows itself to operate at a loss. One cannot forget about the fact that this is the collective that trains personnel for the Il-62, Tu-154, and An-24 for that same first Khabarovsk OAO. A recent inspection showed that almost 80 percent of the flight personnel came here from the second. So how can one fail to take this into account! Or take the Nikolayevsk OAO. Yes, it is operating at a loss today. But we cannot close it down, it serves a large region where life is simply unthinkable without aviation. I think that in the near future the local authorities will take aviators under their wing, for they are vitally interested in their services. The main thing now is to preserve and not disperse our experienced cadres.

Today we are trying to find nonstandard solutions. While previously only flying was at the center of our attention, today we are engaged in fairly extensive searches for reserves for improving the provision of everything necessary to our flight personnel. The first Khabarovsk OAO, for example, purchased a brick plant and supplies its workers with all the brick they need for individual construction. They have begun to devote more attention to individual construction in Nikolayevsk and Vladivostok.

We see a significant reserve for strengthening our economic indicators in the development of international lines. On 19 May we managed to complete a flight about which aviators of the Far East had been dreaming for more than two years: Khabarovsk-Anchorage-San Francisco. It was very difficult to establish this route. We gained a real sense that it was not a simple thing to fly abroad. And this in spite of the fact that we used to fly there in the past. Our most profitable foreign route in Aeroflot is Niigata-Khabarovsk. Before this we flew to Pyongyang and Harbin as well. But these special flights, in which the trip takes 10 hours—this means both the level of service and food on board—were not easy to accomplish. We found that we were poorly prepared for them.

Nonetheless we managed to make this route a stable one. And beginning next year there will be a demand for another similar route.

[Sidorenko] Leonid Vasilyevich, now I would like to return to the question of improving structures during the period of transition to market relations. How do you feel about making the airports independent and in the future possibly turning them over to the municipal authorities?

[Nagornyy] The first steps toward this have already been taken. For example, take the airport of the Sakhalin city of Shaktersk, which was the first to be turned over. Today the Vladivostok and Blagoveshchensk OAO's are following its example.

A more complicated situation is developing in Khabarovsk Kray. This depends largely on the condition and degree of readiness of the airports.

I am convinced that municipalization is a very promising thing. When I was in America and the Republic of Korea I was convinced of this once again. But it is very difficult for us to fight the stereotype that airports must become independent and aviation companies must be kept separate from them. There is no doubt that collectivization of the airports will immediately force the local authorities to address their problems.

Recently I have been thinking more and more frequently about why we are so slow in turning in this direction. Take the ports in Vladivostok and Yuzhno-Sakhalinsk. They are very promising and, of course, their development should be expedited. There will probably be foreign investments because our region is surrounded by such powerful states as America, Japan, and the Republic of Korea. And all of them want to acquire a certain place in our market. We must prepare for this.

Many cooperative business points of all kinds have now appeared in the airports. We assign sections to cooperators and we know what we will get in return. For example, if we assign a square meter we receive something for it there. I say "something" because according to our current documents it is worth very little. But if the airport authorities were the real owners, then, of course, they would have to start thinking about profit. They

could assign a plot of land to a cooperator and say that its cost would be 12-15 percent of the profit received.

But how does it work here now? In the Khabarovsk airport a place in the storage room costs 15 kopeks while the cooperator next door gets three rubles [R]. Using these concrete examples we must teach the specialists to manage so that each square meter of the airport works effectively for the aviators. Say a taxi driver has entered our territory—then we collect a certain sum from him for the development of the airport.

The question of the market that civil aviation is entering bothers me very much. What is the problem here? We, especially the Far Easterners, have ended up in a difficult situation with respect to the condition of the existing equipment. The state has now permitted the Ministry of the Aviation Industry to engage in commerce. But this will cause civil aviation to suffer—and it is already suffering. They set prices at whatever they wish. And anyone who has the money may buy airplanes and helicopters. And we who have been called upon to provide for passenger and cargo shipments do not have the money to buy this equipment. So we will probably not receive enough airplanes, spare parts for them, and engines.

Therefore the state should clearly determine who should engage in commerce and who should provide aviation with new equipment. For commerce contributes little to the creation of new competitive aircraft for transportation.

[Sidorenko] And there is also the circumstance that more and more aviation equipment is being delivered and will be delivered to cooperators, sometimes even nonprofessional ones. And this could have an effect on the safety of the flights.

[Nagornyy] For example, in Ussuriysk one of our former pilots bought several planes and helicopters. But we must make sure that the situation does not reach the point of what will be flown where. We must not forget that aviation is a special kind of transportation, one with increased danger. And it is possible to continue functioning even if you are careless.

In the future, of course, there should be private property in aviation as well. But aviation must not become merely private. Both state and private property must develop in parallel.

In a word, we need a very balanced approach. I think we still have ahead of us the bitter fruits of the flights of cooperative aircraft. Greed can appear here, and some people who want to earn more money will violate the flight safety laws, which have been written in blood.

I can understand when our large mainline aircraft become the property of the first Khabarovsk, Blagoveshchensk, or Vladivostok OAO's. This form of ownership impresses me a great deal, but it must be regulated by a legal code. It could happen that a crew could take

possession of an aircraft and try to determine for itself where it would fly. And the needs of the passengers may not concern them.

For even today all the companies want to transport whatever brings them the most profit. And nobody wants to fly small aircraft to godforsaken cities and villages, even though people live and work there too. Sometimes we even forget about the passengers flying to Khabarovsk, Vladivostok, and Moscow, and we try at any cost to earn dollars and foreign currency. Can the companies really be allowed to transport mainly just cargo?

[Sidorenko] And the last question. Let us return to the corporation. I imagine that, judging from our conversation, it has already proved its viability.

[Nagornyy] Yes, although not everything is going smoothly for us, the corporation will survive in any case. For in our immense region we must have constant coordination of the work of all enterprises, which ultimately leads to economic effectiveness.

Of course, the forms of work must constantly be improved. In particular, for example, we must revise agreements which our departments conclude with aviation enterprises. Each department must answer to the enterprise as to what has been done to resolve one issue or another.

Today the corporation in conjunction with the enterprises must carry out the main task—to provide for normal development of our aviation region, not forgetting, of course, about the well-being of Far Eastern aviators.

#### Civil Aviation After Abolition of Ministry Viewed 924A0193A Moscow IZVESTIYA in Russian 11 Nov 91 Union Edition p 2

[Interview with Russian Minister of Civil Aviation Vitaliy Yefimov by S. Taranov: "How To Fly Without a Ministry of Civil Aviation"]

[Text] IZVESTIYA (No. 264) has already reported that the State Council has decided to abolish a number of the all-Union ministries, including the Ministry of Civil Aviation.

**But how shall we fly without the Ministry of Civil Aviation?**

[Yefimov] Some 30 to 35 airlines and concerns in the form of joint-stock companies should soon be formed on the territory of Russia with the participation of state capital, along with 10 to 15 independent air carriers. These processes—demonopolization and the creation of competitive structures—will also take place in civil aviation in the other sovereign republics.

Special commissions will be set up under the Interpublic Economic Committee to deal with air traffic

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control, safety inspections, aircraft certification, airports, air crews, and compliance with international obligations assumed by the USSR in the sphere of civil aviation. These commissions have no powers of economic management and should operate only in accordance with approved regulations and instructions. There cannot be different requirements, for example, in crew qualifications in Turkmenia and Lithuania. Accordingly, the rights and influence of the republics in the commission are exactly the same.

**The problem of flight time tables.** These have always been drawn up by the Ministry of Civil Aviation Riga Institute, where representatives of the country's aviation enterprise meet annually. So why, even with the abolition of the ministry, should this tradition end? If disputes or controversies arise they can be resolved in another interrepublic coordinating body—the meeting of the transport ministers of the sovereign states. This structure is already in operation.

As you see, in this scheme for cooperation there is no place for the Ministry of Civil Aviation. Moreover, retention of the old ministry under the new conditions will merely hamper and complicate resolution of the very acute problems in civil aviation. Today the sector is on the brink of financial collapse and more than 60 percent of the aircraft and helicopters flying are literally wearing out, while in its present form the Ministry of Civil Aviation is being refused funding, thus blocking in every possible way any opportunity for it to privatize its enterprises or set them up as joint-stock companies.

[Taranov] Some republics fear that Russia, on whose territory the central aviation services are located and whose air fleet is much larger than the rest, will bind its partners to conditions that are favorable only for it. How justified are these misgivings?

[Yefimov] We have said many times that we do not intend to assume the functions of an all-Union ministry. This can happen only if the sovereign republics refuse to finance the complex and expensive air traffic control systems. Then Russia will be forced to take them over.

There is also misunderstanding about how international communications will be maintained. All preceding agreements with foreign states and companies on air movements will remain in force, and the air movements themselves will be effected by the airlines of the sovereign republics on the basis of agreements with the Aeroflot-Soviet Airlines Company.

[Taranov] And what will the civil aviation management system be like?

[Yefimov] An aviation department is being set up within the system of the Russian Soviet Federated Socialist Republic [RSFSR] Ministry of Transport system. Right from the first day we have refused to set it up on the principle of officials of a Union ministry being transplanted to Russian departments. We are trying to find people who are up to the tasks of the new department.

Not simply economists, bookkeepers, and lawyers but predominantly people for whom the market economy is a natural "milieu." Thus, the chief of the department is not the deputy Union minister but someone totally "inexperienced" by bureaucratic yardsticks—45-year-old Aleksandr Larin—who does, however, have experience in setting up joint-stock companies. I would particularly like to emphasize that we are also recruiting expert fliers "of the old school" for the aviation department. I am convinced that it would be an unforgivable mistake to wave away the highly skilled personnel of the Ministry of Civil Aviation. Initially, in addition to the function of state management, the department will also assume economic concerns. But not for long, only until the privatization of the aviation transport enterprises.

[Taranov] What will Russian aviation gain from the process of forming joint-stock companies and privatization?

[Yefimov] Over the next five years Russia's civil aviation needs a minimum of R29 billion (at 1991 prices). Where can this sum be found if no more than R3.5 billion will be available from the republic budget? There is only solution: issue stock.

Investments in civil aviation will be recouped in four or five years, and this should attract investors, including those who have never been involved in air movements. For example, we have already held consultations with major enterprises in the gold-mining industry. They are ready to invest money, but of course not just like that, but calculating future dividends. Foreign companies have also agreed to acquire stock in Russian airlines. Specific kinds of cooperation are also being proposed; in particular, the Americans are prepared to refit the navigation system of the Russian air fleet, and even "rectify" our air routes, which will have a very rapid effect and attract foreign companies to fly over Russian territory.

#### Section Chief on Aeroflot's Future

924A0197A Moscow ROSSIYSKAYA GAZETA  
in Russian 14 Nov 91 p 8

[Interview with V. M. Tikhonov, chief of the International Commercial Directorate for Civil Aviation, by Inna Platonova; date and place not given: "What should Aeroflot Be?", under the rubric "A Journalist Investigates the Problem"]

[Text] Today Aeroflot is experiencing far from simple times. Our correspondent talks about this with the chief of the International Commercial Directorate for Civil Aviation, Vladimir Mikhaylovich Tikhonov.

[Platonova] Vladimir Mikhaylovich, what is Aeroflot's role in the world arena?

[Tikhonov] It is one of the biggest international air carriers, making flights to 131 points in 99 countries of the world. The total length of its air routes exceeds

250,000 kilometers. About 200 passenger and freight air lines are in operation annually. Soviet aircraft make flights out of 18 international airports within the country, while 86 foreign airlines regularly fly to our country.

[Platonova] But what is meant by the word "Aeroflot"? Already there are 30 independent directorates of civil aviation making international flights; 20 of these make them regularly.

[Tikhonov] Yes, in our country airlines, associations, and concerns are appearing. Well, for one thing, they are flying under the Aeroflot flag. We have done and are doing everything to give our territorial directorates the opportunity to join in the foreign trade activity. But according to all the contracted obligations which were agreed upon between the USSR and other countries, the only nationally appointed carrier of the USSR is Aeroflot.

Our International Commercial Directorate speaks for Aeroflot, protecting the interests of all the independent aviation enterprises which are making flights abroad. Its main role is the development of the foreign trade activity of all the participants of the international air transport sector of the USSR, and the development and coordination of a single policy for commercial activity, rates, foreign currency financing, and advertising.

[Platonova] But nevertheless it is yet another coordinating organ. Won't airlines which are striving for full independence see it as an obstacle?

[Tikhonov] The past year's experience has shown the following: Initially all the territorial directorates rushed into the international market and began, to put it a little crudely, to sell themselves independently, not considering the policy, the pricing system which was being created in Aeroflot. What did this lead to?

First of all many of our carriers ran into opposition from the market, namely: they made unthought-out rate reductions on freight air transport and on individual charter flights. The results were not long in coming—individual countries began to prohibit their flights, and to cause all sorts of obstacles. Unfortunately, there were even instances of legal prosecution.

In a word, you can't build a real economy that way. I think that all or at least most of the directorates have understood this and will no longer try for this kind of independence. They are operating in accordance with the agreement with the International Commercial Directorate of Civil Aviation, which can give them professional advice and professionally prepared documents. Strictly speaking, the International Commercial Directorate is the core around which new airlines will be able to successfully develop their own foreign trade operations.

[Platonova] At the beginning of our conversation, you named the figures: 131 points in 99 countries. Is this a lot or a little for the world's largest airline, as we have been used to regarding Aeroflot?

[Tikhonov] At present Aeroflot has run into the problem of excessive geographical development and extension of its foreign route network. Compare: we make regular flights to more countries than other airlines, which prefer not to exceed 70 or 75. Even so we are not flying to Australia and Oceania, and we are very weakly represented in South America. Aeroflot stands in the 6th or 7th place in Europe in the extent of its network, but carries half the passengers of other airlines operating approximately the same network.

What are the reasons for this? For many years the most important trend in Aeroflot policy was the aspiration to global development of its own network, to the maximum increase in the number of countries and airports served. In the process, calculations on the economic feasibility of starting new routes and the profitability of flights either were not made at all, or were projected to please political interests. It reached the point where Aeroflot was forced to open a number of international air routes by a direct order "from above".

[Platonova] And how do matters stand now?

[Tikhonov] The principal demands of the market now are for development of international air transport. That is why unprofitable air routes which are obviously detrimental will simply cease to exist. So about 10 routes to the African continent have already been shut down. Obviously, the same fate also awaits a number of routes to the Asian countries: calculations show that in the short term there will not be the necessary flow of passengers on these routes to cover the foreign currency expenses.

But here is a contrary example. It is well-known what a huge demand there is for transportation between the USSR and the USA, exceeding the resources of Aeroflot by two or three times. And this is in spite of the fact that we are continuously increasing the frequencies of flights. But from the point of view of economic performance, the flights to the USA are unprofitable on a hard currency basis.

[Platonova] How can that be, when Aeroflot is booked with passengers to America for many months ahead?

[Tikhonov] But the explanation is simple. On the international routes the flow of Soviet passengers has significantly increased. On several of the more profitable routes Soviet passengers have already reached 80 percent or more. How does this affect the economics of Aeroflot? In the most direct way: the fraction of passengers buying tickets with freely convertible currency is so low that it cannot cover the hard currency expenses of Aeroflot. In order for our currency cost recovery to be ensured, at least 40 to 50 percent of the passengers must be foreign currency payers. The rest can pay rubles.

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[Platonova] And how will Aeroflot get by?

[Tikhonov] A number of measures for foreign currency stabilization have already been taken. As soon as the commercial rate of exchange for the dollar was adopted in the country, we published all the rates for tickets out of the Soviet Union calculated in dollars. Because of this, tickets of course became more expensive, but we offered discounts to Soviet passengers. At the same time rates with combined payment—part in hard currency, part in rubles—were introduced on many routes.

But something else is more important. We must renew our air fleet without delay. The airplanes operating now on the international routes are significantly inferior to world standards in their mechanical and economic characteristics. The production of the promised comfortable IL-96-300 and TU-204 aircraft, unfortunately, is delayed.

And, of course, there is service. Alas, as yet we have a long way to go to generally accepted international standards.

The infrastructure of the international airports should also undergo radical modernization. Sheremetyevo-2 airport, with a capacity of six million passengers a year, has become "a bit crowded," and the country's other airports do not measure up to world standards. To solve this problem Aeroflot is creating joint ventures with foreign firms in the construction, modernization, and subsequent operation of airport complexes. Our overseas partners—Lufthansa, British Airways, Air Rianta, and others—are participating in these joint ventures as well.

[Platonova] But this will take quite a bit of time, while the demand for transportation is growing continually and will increase after the Law on Entry and Exit Procedure goes into effect.

[Tikhonov] Yes, we could immediately increase traffic by two or three times if we had greater resources of air fleet, fuel, and spare parts. However, we are, of course, in a position to do a great deal, restructuring our air routes, getting rid of unprofitable ones, concluding new agreements with partners on various forms of long-term cooperation.

Foreign partners, understanding the exceptional importance of Aeroflot for the international community, are also meeting it halfway and doing everything possible so that it will not disappear from the world arena. Right now the main thing is currency stabilization. And I hope that by the end of this year we will have already begun to increase the tempo.

[Platonova] Vladimir Mikhaylovich, the creation of a Russian airline is not far off. Will it probably also make international flights?

[Tikhonov] This is extremely important for Russia. Right now important preparatory work is being done. But this is the topic of a separate and very serious

conversation, which, I hope, will be continued on the pages of ROSSIYSKAYA GAZETA.

#### New Association Aims for Improvements in USSR Air Travel

*PM1911103991 Moscow Central Television First Program Network in Russian 1900 GMT 14 Nov 91*

[From the "TV Inform" newscast: Report by S. Dukhavin and S. Gelbakh, identified by caption]

[Text] [Announcer] Everyone who has ever flown with Aeroflot is bound to have had to suffer the fate of spending an hour or two, or even a day or two, in the airport waiting for either the plane, the fuel, or the weather. Of course, you could always travel on another airline, but there aren't any. Aeroflot has no competitors, and the passengers have no alternative. Is this likely to change?

[Dukhavin] Why, for example—at a time when our valiant airmen, our Air Force pilots, are flying by day or night, in rain, fog, and blizzard—are thousands of people languishing at dozens of airports across the country as they wait for good flying weather? Or why this wonder plane, [video shows model]—the star of the latest air show at Le Bourget, which can land on water and take off in a swell of up to force four, and which, its creators claim, could easily have saved the crew of the submarine Komsomolets which sank—why has this plane not flown anywhere or saved anyone? And why, at any rate, are there only two experimental models in existence? The answer is simple: Lack of resources. But now the defense industry, which is switching to civilian output, seems intent on changing the situation for the better. Around 40 enterprises and organizations of the now former Union ministries of the aviation, radio, and electronics industries have merged to form the "Radioavionika" Association.

[A.A. Turchak, president of the "Radioavionika" Association, identified by caption] One of the problems which the association intends to tackle today is the creation of new generations of air traffic control systems. We absolutely must resolve this task, and if we can equip our airports with first-class equipment, then of course these problems will be considerably reduced. We are also ready and willing to participate actively ourselves in the organization of air freight and passenger transport so as ultimately to produce competitors to our monopolist, Aeroflot, and then everyone will benefit.

#### Aircraft, Equipment Display at Dubay-91

*924A0224A Moscow IZVESTIYA in Russian 19 Nov 91 Union Edition p 8*

[Article by V. Velikov, IZVESTIYA special correspondent: "Dealing In Aircraft In The East Is a Delicate Matter"]

[Text] Dubay-Teheran-Moscow—One of the biggest and longest demonstration shows of our native aviation equipment abroad has concluded. The Soviet aircraft and helicopters, which participated in the international Dubay-91 show (IZVESTIYA, Nos 256, 263 and 267) and subsequently visited the Emirate of Abu Dhabi, have returned from the Middle East. During their return, they visited Teheran at the invitation of the Iranian leadership.

The exhibition in Dubay, the largest city in the United Arab Emirates, is undoubtedly becoming one of the most impressive in the world. The Soviet section, the most numerous in winged and rotary wing aircraft shown, practically did not have any exposure in the pavilions. The show at the airport's hard stand of an "item to its full advantage"—real serially-produced examples of Soviet aircraft—proved itself. This sector of the concrete field was empty of visitors only at midday when the demonstration flights began. Unfortunately, as our foreign colleagues pointed out, the Soviet aviation industry for some reason did not show at Dubay-91 a single passenger airliner ready to go on trips.

Summing up the results of our domestic airplane builders' first significant business contacts with possible partners in the Middle East, V. Laptev, the head of the delegation, pointed out that the countries in this region are interested as potential orderers of our air freight and passenger aircraft that can be not only sold to them but also offered for chartered shipments or under so-called licensing. The military aircraft building industry capacities, which are being freed during conversion, will permit negotiations regarding the possibility of establishing joint enterprises in this branch between our country and the Persian Gulf states to be conducted on a solid economic basis.

The possibility of delivering certain very new types of military aircraft, which attracted the intense attention of many highly-placed military people from the Arab countries and during the delegation's stay in Teheran, has not been excluded. Nevertheless, the business visit to the Iranian capital was poorly prepared by both parties and turned out to be somewhat rushed and disorganized. It is sufficient to say that not a single Soviet aircraft took off during the four days—getting acquainted with the aircraft took place exclusively on the ground.

During these same days, our air force conducted its own demonstration show with approximately the same "collection" of displays at the continent's other end—in Malaysia. The future will show whether any benefit will come from this; however, it is useful not to forget: "The East is a delicate matter!"

#### Record-Breaking Light Plane Is Fruit of Conversion Program

PM1411105991 Moscow ROSSIYSKAYA GAZETA  
in Russian 7 Nov 91 First Edition p 8

[Sergey Nagayev report: "The Mountain of Conversion Has Brought Forth a Mouse, but What a Mouse!"]

[Text] This little one-seater airplane has commenced its promising career in a sure and even audacious manner: Flown by test pilot Mikhail Markov of the Air Research Institute, it broke the world record for gaining height.

But whereas it is customary in aviation to consider it a real advantage to have exceeded world bests by as little as a few percentage points, in this case this improvement was of the order of almost one third. The International Aeronautical Federation has confirmed the record—the airplane "Aviatika MAI-890" (this is the plane in question) gained 3,000 meters in 13 minutes as opposed to 18 minutes set in the previous best by the Americans.

And the reason is simple. Such respectable firms as the "Znamya Truda" plant, which produces the famous "MIG-29," the Moscow Aviation Institute (to be more accurate its design office which K. Zhidovetskiy heads), and the Air Research Institute named for M. Gromov, which possesses splendid testing apparatus including the best takeoff and landing strip in the world, were "brought in" to create the "MAI-890." As a rule airplanes like the "MAI-890" are used for pleasure flights abroad. However, this model has a much wider range of possible uses. Strictly speaking the airplane was conceived as a basic design from which 12 variant models will be produced (with a minimum number of modifications): for agricultural work, still and motion-picture photography for the militia...

Variant models intended to meet the requirements of recreational flying have been set aside in a special category.

In short, the airplane has turned out to be reliable, and what is important, competitive. People have taken a serious interest in it abroad. Of 20 machines which have already been assembled, nine are now plying the skies above Europe. Foreign flying clubs and private individuals are prepared to buy it, and in addition there are more than 200 firm orders. Because the price is not very high, practically the same as that of an ordinary car (not a Soviet one of course). The airplane will be sold for the same price within the country as well—for rubles (about 300,000).

Heck, it would seem that we can be proud: In a period when our country's economy is generally collapsing people have managed to create something new and remarkable. But...

"If from 'MIGs' Russia slides into producing airplanes like the 'MAI-890,' this, in my view, will be evidence of a crash," Igor Pyankov, president of the joint-stock company "Aviatika" says. "Ill-considered conversion squanders all the military industry's experience and achievements. You see the 'MIGs' which people are now prepared to acquire abroad (and you can yourself appreciate this is at a price which is incomparable with the price of the MAI-890), are being taken out of production. But what will replace it? Just our biplanes. I think it would be much better to find an opportunity to combine such programs. Various aircraft are necessary. As far as

our work is concerned, 'Aviatika' is releasing the machine on the widest possible scale as early as January of 1992. For the moment, however, this is not for the ears of the press."

## RAIL SYSTEMS

### Railway Structure Discussion Continues

924A02124 Moscow GUDOK in Russian 5 Nov 91 p 2

[Article by O. Kupriyenko, engineer economist: "Transport Management Under Market Conditions"]

[Text] Moscow—Although the existing structure of the USSR Ministry of Railways' central apparatus and other subdivisions still remains, the changes occurring in the country will also inevitably affect transport. Primarily the railroad workers themselves, who know from within the essence of the phenomena and processes in the steel mainlines' functioning, should find and propose the avenues and methods for the branch's adaptation in the changed political and economic situation.

As recent years have shown, an abrupt change in a system for managing and coordinating subjects leads to disruptions in the functioning of not only individual enterprises but also entire branches of industry. In rail transport, the lack of preparation for the changes will inevitably evoke a sharp increase in the demand for rolling stock, especially rail cars. Consequently, the need to increase production capacities for carrying out shipments, even in present amounts, will appear. At the same time, the presently existing system, which was developed over 150 years, permits coping with this using the resources on hand.

However, an improvement in this system is undoubtedly required. It will become more effective with the widespread use of computers and automation devices. However, the possibility, which is apparent from a detached view, of easily removing some functions or aspects of its activity (for example, medicine or housing) is a false one. This will inevitably affect the life of the specialists and, consequently, the work results of transport hubs and avenues. Suggestions about breaking it up between state and economic functions should be carefully analyzed from this point of view.

The experience of other countries seemingly testifies that independent railroads operate on small spaces. In fact, however, they are interconnected both economically and administratively through non-governmental and governmental organizations. Moreover, our country's railroads service an enormous territory. No other type of transport can replace them in many localities. That is why one cannot mechanically adopt foreign experience; it must be creatively adapted to our conditions.

Production technologies determine the methods and system for managing rail transport just as in any branch of the economy. There are specific distinctive features

here: 24-hour operation, constant interdependency of the transport process elements, common requirements for carrying out technological operations and maintaining equipment, and unification of the workers' mutual relations on an enormous territory. All this is feasible only with centralized management of the shipments and the facilities insuring uninterrupted movement and traffic safety.

Rail transport property was established as branch-wide property. This guaranteed the stability and maneuverability of transport operations with the centralization of management. You see, depending on the circumstances that take shape in different regions of the country, the capability exists to adjust its supply using technical systems, cadres, material, technical and financial resources, and the delivery of new equipment.

Rail transport organizational structures have always rested on two whales: line enterprises (stations, depots, railway divisions, plants, institutes, etc.) and an agency for managing the entire branch. During the entire history of its development, the other structural subdivisions existing between them were modified: the sections, road divisions, services, and railroad and okrug administrations which could be redistributed, changed and reorganized. This, however, did not affect the essence of the work of either the line enterprises or the agency controlling the entire branch, the superstructures over which, incidentally, also did not stand the test of time and disappeared.

Based on the premises that have been stated, under present economic conditions it is advisable to establish an inter-republic railroad organization instead of a Ministry of Railways, for example, a company that will assume all the functions in centrally managing all aspects of transport activity: transportation, ordering and repair of equipment, finances, training and acceptance of specialists for work, mutual relations with foreign partners, solving of social problems...

However, this may also be not a company but a concern, association or other type of economically independent railroad organization not subject to the influence of political and other passions. Just as transnational companies operate on the territories of several independent countries, it will function in the same way in all the sovereign republics that need transport services for their production installations.

The present railroads and their divisions, plants, institutes, and other subunits and establishments can become units of the inter-republic railroad company (MZhDK) in the form of branches, separate firms, branch companies, production associations, and trusts regardless of their functional maneuverability, technical equipment, profitability, production volume, territorial location, and other factors including the possibility of their elimination for production and economic considerations.

During this, the MZhDK should receive profit in an amount that enables it to operate profitably, providing a

constant-sized qualified contingent that requires long-term training. During periods of uneven traffic, the MZhDK can hire or release less qualified workers through its subdivisions. It itself should establish tariffs for freight and passenger shipments and its other products. The company will also keep for itself the functions of managing shipments on the territory that the sovereign republics allocate to it, working with customers in accordance with appropriate contracts; determining technical policy in the area of rolling stock, track facilities, electrification devices, and other technical systems; and solving questions of an economic type in order to achieve high productivity and receive profit.

In order to consider the interest, traditions and other distinctive features of the economy and life in the sovereign republics and other national and territorial formations, it is necessary to have appropriate structures in the inter-republic railroad organization and its sub-units that will correlate these factors with marketing, customer orders, supply and demand for other types of transport, and coordination of its activity with the republics' transport agencies and local authorities.

If some agency establishes a limit on railroad tariffs on its territory, as was acceptable under the command administrative system, this will be a violation of market economy principles and it should compensate the MZhDK for the loss in a legislative manner so that the branch does not artificially slide into bankruptcy.

All railroad workers and other companies and organizations can be the founders of the inter-republic company. To do this, all of the property, which is now under the jurisdiction of the USSR Ministry of Railroads, should be distributed among railroad workers depending on length of service, personal contribution to the branch's achievements, qualifications, and other factors. This transfer, however, will be purely a formal one since all these assets settled on each worker should become part of the MZhDK formation fund and different types of remuneration (money, vouchers, housing) will be subsequently dished out in proportion to the share of each one.

Such a reorganization of the branch will permit the centralization, which is inherent in railroads, to be preserved. It will, at the same time, give full play to economic organization and management methods in the local areas, reveal and eliminate economically and technically unsuitable links and incompetent employees, permit worker to become the master, promote new energetic engineers and directors filled with initiative, provide an opportunity to earn to those who can work actively and enterprisingly, and take into consideration the need for using rail transport.

Since society's viability is impossible without transportation costs, the establishment of the MZhDK (or a similar organization with a different name) will disclose true rail transport costs. In this regard, it will not be

advantageous to maintain an unnecessary administrative superstructure over it; the MZhDK and its subdivisions can engage in other activity besides transport if it serves to satisfy the demands of the railroad workers or provide income. The inter-republic organization will be able to react flexibly to a situation that has taken shape in economic life: acquire industrial plants which supply machinery, equipment or materials for the railroads; become partners when organizing the production of that product; or rid itself of unnecessary industrial and other enterprises.

An alternative is possible in which assets for the maintenance of the MZhDK will be allocated from the budgets of the sovereign republics during a certain transitional period for reorganizing railroad affairs in the country. In principle, however, the inter-republic company should not depend in the future on republic financing since this will lead to localistic tendencies and restrictions on the operation of market levers in developing rail communications.

As soon as a single economic space instead of the USSR is proclaimed, it should be accompanied by a single transport system whose effective functioning the proposed inter-republic railroad organization concept can insure.

#### January-October Rail Performance Viewed

924A0212B Moscow GUDOK in Russian 6 Nov 91 p 1

[Article based on material from the Ministry of Railways Statistics Administration: "A Mirror Image: The Branch's Work Results During January-October"]

[Text] Operating under the conditions of the national economy's destabilization which are also negatively affecting the transport process, the country's railroads fulfilled the 10-month plan for the total dispatch of freight by 101.3 percent. However, the calculated target for freight turnover was underfulfilled by 3.8 percent.

During the 10 months, 38.6 million tons of freight were transported in addition to the quota. More than five million of these tons were for the state. At the same time, a significant underfulfillment of the plan for shipping some goods in October led to an increase in the shortfall for chemical and mineral fertilizers and ferrous metals since the year's beginning.

Thus, less than the planned amount of the following were shipped during January-October: coal and mineral fertilizers—5.7 million tons each; ferrous metals—1.6 million tons; lumber goods—1 million tons; cement—784,000 tons; and petroleum and petroleum products—72,000 tons.

Of local planning freight, the quota was filled for food (with the exception of fish), including, meat and animal oil—126 percent; salt—103 percent; sugar—108 percent; potatoes, vegetables and fruit—137 percent; and sugar

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beets—119 percent. In comparison with the corresponding period of last year, however, shipments for the majority of food goods were considerably less.

More construction goods, industrial raw materials, molding material, and metalwork than planned were transported during the 10 months. At the same time, targets were not reached for a number of very important goods.

All railroads except the Northern and Volga failed in the transmission of railcars. For the network as a whole, their transmission was reduced by 12,700 railcars a day. The main indicators for using rolling stock were also worse. Thus, the turnover of railcars was slowed down by 2.9 hours and the average gross weight of a freight train was reduced by 31 tons.

The political and social instability in the country and the increase in tariffs also negatively affected passenger volumes and led to a 10-percent reduction in passenger turnover.

The labor productivity plan for workers employed in shipping was underfulfilled by 2.8 percent and shipping costs increased by 1.4 percent. For the branch as a whole, the balance profit was approximately 6.3 billion rubles; this is 21 percent lower than last year's level.

#### Train Safety Device Reviewed

*924A0210A Moscow SOVETSKAYA ROSSIYA  
in Russian 15 Nov 91 p 2*

[Article by A. Martovenko: "We Are Victims of Pandemonium: Concerning the Reasons for Tragedies at Railroad Semaphores"]

[Text] Yekaterinburg—Eighty-five percent of the locomotives in the country are equipped with systems that control an engineer's actions. Nevertheless, accidents continue. What is the matter? Why, despite multimillion expenditures and all the efforts of designers to protect the engineer, does he drive through a red light?

This question has not left my mind for many years and on long trips in different types of locomotives. The conclusion turned out to be an unexpected one even for me: The cause is concealed in the very safety system mounted on an electric locomotive, more accurately, in the way that the engineer is notified about a change in the semaphore signals—by a whistle.

For example, a yellow light has appeared—there is a whistle in the cab; it says: Be attentive, engineer. A red light has appeared—there is a whistle; a white light—there is a whistle.... To prevent the automatic stop causing untimely braking, the engineer must press on the vigilance lever. This says: I see, I see—I am not sleeping, and the whistling stops.

With the increase in freight traffic when several-fold more trains are on a track section and signal lights change frequently, there is genuine pandemonium in the

cab. The whistle is transformed from man's assistant into a very strong irritant that terrorizes the psyche. That is why an engineer develops a natural protective reaction from trip to trip and from year to year—get rid of the whistling more quickly. He presses the vigilance lever without thinking about the meaning of the signal that has been changed on the signal light—just like a sleeping individual mechanically suppresses an alarm clock bought by him, risking sleeping away the entire day by doing this.

Having understood this, I proposed that the accursed whistle be replaced by an oral information machine. The device underwent successful testing in 1972. It's as if an all-seeing assistant, who loudly prompts at the necessary time: "Engineer, you are coming up to a red light!" or "Attention—a yellow light!", has taken up residence in the engineer's cab. An individual who has been distracted or who is tired immediately arouses himself and undertakes intelligent actions.

They tested the instrument and thanked the author; however, they soon completely forgot about both.

In 1985, I designed a fundamentally new system for monitoring the control of movement, which is abbreviated KUD. The instrument, which I developed, automatically stops a consist at a red signal, protecting the engineer from psychological mistakes (distracted attention, sleep, late brake application). The solution was found to be simple and inexpensive. The locomotive's speedometer is the KUD basis.

What happened later? At the end of the year, an experimental shop (I was working there as a metalworker at the time) built a model of the KUD for demonstration purposes. In June 1986, the test model underwent a check on a simulator and an act recognizing the instrument as workable was drawn up.

The KUD proved itself best on the first section. The entrance signal light at the station of Shartash burned with a red light. Engineer V. Tolmachev reached for the cock handle to apply the brakes. However, A. Redkin, the commission chairman, gave directions: Go through the red light! The KUD did not permit the consist to go through the prohibition signal and stopped it 100 meters from the signal light....

More time passed and new test models of the device were made. They equipped two electric locomotives with them at the Moscow-Marshaling Depot....

One should have been happy but it did not turn out that way. Almost simultaneously with the KUD, they began to introduce the Dozor and Saut designs that had the same purpose as my device. Although both of them are already obsolescent, they insure traffic safety by only 60 percent—according to the estimates of the authors themselves—and are extremely expensive. They have many failures and the engineers are extremely dissatisfied with them. Despite all this, they are being introduced with enviable might and persistence because the Dozor is the

child of the central PKB [Design and Construction Bureau] and the Saut designer group includes V. Nikiforov, a deputy minister. When the engineers at the Sverdlovsk-Passenger Depot, where 180 electric locomotives were equipped, sent an appeal to free them from the Sauts, which only interfere with their work, to the Sverdlovsk leadership at the beginning of this year, B. Nikiforov personally came to extinguish the conflict. The opinion of the engineers at the Khorovino Depot near Moscow, where 130 locomotives are equipped with Dozors, is just as unflattering.

What is the way out? In my view, there is only one: deprive the Locomotives Main Administration and its PKB of their monopoly right to develop and manufacture safety instruments. Let all three systems—Dozor, Saut and KUD—be placed on the locomotives of some depot and let the engineers themselves select which is more convenient and safer to operate.

### Area Fuel Transport Problems Scored

#### Kemerovo Railroad

924A0149A Moscow GUDOK in Russian 25 Oct 91  
pp 1-2

[Article by N. Domozhigov, GUDOK correspondent: "Envoy for Coal"]

[Text] GUDOK recently reported on the critical situation with the drop in coal extraction and transport. Our correspondent on the Kemerovo Railroad told, in particular, of the situation in the mines of the Kuzbass. Unfortunately, it is not improving—the miners, as before, are keeping power engineers, metallurgists and the people without supplies of fuel. The threat of a cold winter remains. Today we are continuing the discussion of this subject.

I became acquainted with N. Nosikov, chairman of the Ust-Kamenogorsk Gorsovet of People's Deputies, in the days of the August putsch, at the extraordinary session of the Presidium of the Kemerovo oblastsoviet. Having seized a convenient moment in the course of the heated, uncompromising debates on the events in Moscow and far beyond its limits, Nikolay Timofeyevich got up from his seat and began to talk about the extreme lack of discipline among the Kuzbass miners, who are disrupting the supply of coal for the State order.

"Being employed as a politician," he was indignant, "I cannot forget about basic decency in economic matters. The miners react to neither telegrams nor telephone calls—it is as if it were a question of an unofficial request. Coming here has so far not changed the situation for the better either, which dooms our city of 360,000 inhabitants to a cold, exhausting winter."

Among the basic offenders, Nosikov named the mine imeni S. Kirov from the Leninsk-Kuznetskiy, which is not selling even the coal from the State reserve for the

Ust-Kamenogorsk TETs [heat and electric power station]. According to his statement, other suppliers of the Ministry of the Coal Industry are also letting them down, shifting the blame to the railroad workers of the Kemerovo mainline, who allegedly do not provide empty cars. A convenient stand, making it possible to hide their own errors in calculation and incomplete work!

Immediately after the meeting of the presidium, N. Nosikov came up to me: he said, if coal supplies from the Kuzbass are not put in order, we will turn to GUDOK for help.

Not two months passed, and I saw N. Nosikov again.

"Returning from Kemerovo last time," he said, "we had at least some sort of hope. Now this is gone, and after all, we have made the rounds of everyone on whom the solution to the important problem depends."

It turns out that M. Kislyuk, head of the Kemerovo Oblast administration, accepted the envoys for the coal. Sympathizing with those in need, he sent them to a subordinate worker, who, he said, would arrange everything. And here the request was answered with a request:

"Will there be any grain?"

"Pardon me," Nosikov was taken aback, "what grain are you talking about? In the first place, we are trying to implement a confirmed State order. In the second place, the East Kazakhstan Oblast is as industrial as Kemerovo Oblast, and we are living on imported grain."

An altercation under the arches of the House of the Soviets yielded nothing, and the envoys of the neighboring oblast appealed to A. Orishin, general director of the Kuzbassuglesbyt Association. He explained at great length that the basin was doing poor work this year, and complained about their problems. Nevertheless, there is coal, he said, the mines cannot organize its shipment. He advised getting in touch with them directly.

At the mine imeni Kirov, which is a hundred kilometers from the oblast center, a new disappointment awaited the Ust-Kamenogorsk citizens. The directors of the enterprise are now visiting the Chinese People's Republic, formalizing a profitable contract on barter. Secondary persons responded with the old story of the "machinations" of the railroad workers. At the same time, they promised to begin shipping the coal immediately, if it were the order of the head of the Kuzbass administration. The circle was closed. They did not visit M. Kislyuk a second time.

The "Kirov" miners should now supply Ust-Kamenogorsk with 100,000 tons of coal from the State reserve and 200,000—according to a direct contract. By this time, the undersupply is respectively 45,000 and 160,000 tons. It is clear that the Kirov miners will not pay off the entire debt before the end of the year, and indeed, the capacity of the railroad workers is limited.

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The problem is to ship the maximum possible, or otherwise, not only will the people of the city suffer, but also its energy-intensive production, smelting rare-earth metals and producing goods for machine building.

Something different became clear at the Leninsk-Kuznetskiy. According to the data of the local organization for coal sales, the railroad workers were not really innocent. But while their debt since the beginning of the year is not over 1,000 cars, during this same period the mine imeni S. Kirov refused—8,000 cars that it had applied for. At the same time, they did not appear at all on the October schedule for Ust-Kamenogorsk routes!

"We have gained the impression that the Kuzbass has no authorities in control of the economic situation," N. Nosikov summed up.

It is a harsh comment, but not groundless. Right now, along with the administration, the oblast Soviet of People's Deputies is working here. A. Malykhin, a representative of the President of the republic, however, has forbidden its chairman, A. Tuleyev, Russian parliamentarian, to deal with economic problems, including—preparation for winter. This is absurd. The democrats are clearly "worn out" with distributing duties, for there are more than enough economic problems for everyone. How can the oblast Soviet, which enjoys general trust and authority and which has experienced specialists in its membership, dedicated to the cause of the people, remain aloof from a specific, vital cause?

As if having guessed my agonizing thoughts, N. Nosikov handed me one of the local newspapers:

"Just look at this inconsistency. Today's democrats have been suffering the command-administrative system for a long time, but now, in coming to power, they openly lean on it."

What is Nikolay Timofeyevich interested in? At a press conference at the end of August, M. Kislyuk stated, in all seriousness, although in legal form: "Hands off the command-administrative system!" In his opinion, everything in the stores today is to the credit of the existing administrative, authoritative structures. "Therefore we do not intend to destroy any of the old. Until something new is created." How, though can you create anything new with the opposition of parallel authorities—elected by the people and appointed from above by the president of the republic? The way out unquestionably lies in general elections of the heads of administrations at the sites. What is more, the leaders of the democrats, uncertain as to the success of the elections, oppose this.

When I flew home, the Ust-Kamenogorsk mayor was profoundly upset: October is ending and the residential and administrative buildings in its native city are still not hooked up to heating systems. This has been done only for children's institutions and hospitals. In Kemerovo, the heating season opened a month ago.

The Ust-Kamenogorsk TETs, the only electricity and heating source in the large industrial city, has fuel for a few days. What can it do after that?

"It is by way of a lock-out," N. Nosikov said to me at the airport before my departure, "we could suspend shipment of non-ferrous metals, machine building products, bolt fittings and other scarce items to Kemerovo Oblast. At the same time, we would suffer from similar action, mainly from the Kuzbass people, since the total value of our State supplies (19.5 million rubles according to the prices at the beginning of this year) is approximately three times higher than the value of what is obtained from there. After all, though, this is by no means the best way to clear up relations in the civilized world of business people."

## Donetsk Railroad

924A0149B Moscow Gudok in Russian 25 Oct 91 p 2

[Article by A. Perepadistyy, GUDOK correspondent: "Percentages Will Not Keep You Warm"]

The chief of the Daryevka Station reported with some pride: 180,000 tons of coal above the plan have been shipped since the beginning of the year. This is 60 full-weight consists. Doubt crept in: the local newspapers write that coal extraction in the Donbass has dropped everywhere. At mines in Gorlovka, Yenakiyev and Dzerzhinsk, drifts are being shut down because of the shortage of timber props. How was there such a large overfulfillment of the plan in Daryevka?

"There is no overfulfillment," says V. Khlop, deputy chief of the Department of Transport for Coal Operations of the Debaltsevo Division. "The coal-loading for the division has been cut by 80,000 tons. Daryevka has also reduced its shipment, as compared with last year. While before, 125-150 cars a day were shipped from here, now it is only 87."

The Bulavin Station has not shipped fuel for over a month. Today the consumers are undersupplied 17,000 tons of coal. On the whole for the road, the debt is about 2 million tons. Even though the Daryevka, Lobovskiy Kopi, Bayrak and other stations overfulfill an understated plan for coal, it is immediately "eaten up"—it goes to cover the underload of other stations. There is coal—there are no railcars, there are railcars—there is no coal.

"Work has become uninteresting. There is no freight. The work at the stations is dying out," says V. Subbotin, winner of the USSR State Prize, shunting dispatcher of the Debaltsevo Division. "We are going along the accustomed path here, though: to look good, they correct the plans. But what will we heat with in winter, percentages?"

Viktor Grigoryevich is right—no matter how much you juggle the figures, you won't increase the fuel from doing it.

### Northern Railroad

924A0149C Moscow GUDOK in Russian 25 Oct 91 p 2

[Article by V. Khovrin, GUDOK correspondent: "They Are Suffering Losses"]

The Northern Railroad workers and the Vorkuta Miners have a contract on businesslike cooperation. It is less and less often remembered now, though. It is understood—this year the technological "coal-transport" chain fails now and then. At one time, along with the Inta mines, the coal-extracting enterprises of Arctic Vorkuta had up to a million tons of coal in the slag heaps, and the related workers had no problem with shipping it. Now, it numbers no more than one-fifth of the former volume.

While the work is from the wheels up, there is a game of leap-frog in the planning. In the first ten days of October, at the Mulda Station alone, where over 70 percent of the Vorkuta coal is processed, almost 1,000 railcars were underloaded, and this is almost 67,000 tons of products.

"We have rolling stock to spare," say the specialists of the Vorkuta Division. "But the miners constantly correct our orders for it in the direction of a decrease. For example, the Vorkuta Station can dispatch 200 cars a day, and the order is for 128; the Mulda Station is ready to ship 600 gondolas, but the plan is 485. The miners are asking for even less, however—435. Refusing rolling stock has become the order of the day. Therefore, the contract on intersectorial cooperation is nearly always violated, and the economy of the related workers is suffering serious losses.

In the summer the suppliers of high-quality coking coal sent a letter to the President of Russia, drawing his attention to their problems. They asked that the restrictions on paying the Northern extra charges be canceled, that the city be included on the list of consumers of products from the Russian fund for nonfoodstuffs and foodstuffs and that the fixed wholesale prices for coal be abolished or a subsidy be allotted. So far these questions are in the stage of consideration, and their economic difficulties are not lessening, but increasing.

How will the results of the fulfillment of the contract between the railroad workers and the miners be summed up? It is not clear. It can be said unequivocally: there is no joy in the work of the related workers today. After all, wherever you look—there are only losses.

### Volga Railroad

924A0149D Moscow GUDOK in Russian 25 Oct 91 p 2

[Article by S. Kasatyy, GUDOK correspondent: "The Debts Are Growing"]

The production of fuel for the Saratov and Volgograd petroleum refineries did not drop much as against last year. Its shipment to consumers, however, dropped considerably. There are various reasons: first the output of the Volgograd Refinery was uneven for eight months,

then the Saratov Refinery shut down for repair during harvest time. The peasants of these regions were left without fuel. Thousands of tractors and combines were stopped.

The shippers now intend to make up the debt, and the railroad workers are not in a position to satisfy the requests for empty tank cars. In 17 days of October the Saratov Refinery failed to ship 563 tanks of industrial furnace residual fuel oil (about 30,000 tons). It lags behind the plan for export mazut more than double this month, and considerably, for diesel fuel, gasoline and lighting kerosene.

The situation is no better at the Volgograd Refinery, which is adjacent to the Tatyanka Station. In this same period, it failed to ship 447 tank cars of furnace residual fuel oil and over 500 of gasoline and diesel fuel. Some 528 tank cars of crude oil did not leave the Medveditsa Station. With a daily plan of 36 tank cars, for two ten-day periods virtually nothing was dispatched from the station.

Provision of empty tank cars has deteriorated considerably this year. In just the two ten-day periods of this month, uncompleted, almost 6,000 tanks were not received according to the regulations, and therefore, 272,000 tons of fuel were not shipped. Since the beginning of the year, the debt has become almost 800,000 tons. All this is the fault of the railroad, for which it had to lay out more than 1 million rubles from its empty purse.

The dispatch of furnace residual fuel oil for Saratov, Lipetsk, Tambov, Rostov-on-Don, the Ukraine, Krasnodar... is being ruined. Why are its recipients not sounding the alarm? Probably, the unusually warm weather, which they had not had for a long time in these regions, delayed the start of the heating season. Therefore they are not worrying about fuel so far.

There is one more quite important detail. Empty tank cars for the road are as a rule received in unorganized trains, and this requires no small effort and time to clean them, turn them over for washing, steam-clean and fill them. On 17 October, for example, of 681 tanks that arrived for the Volga Railroad, less than one-third proved to be on organized trains.

### Commercial Railroad Construction Starts in Karelia

PM151104091 Moscow Central Television First Program Network in Russian 1900 GMT 12 Nov 91

[From the "TV Inform" newscast: Report by B. Ternoushko and S. Petrunichev, identified by caption]

[Text] [Ternoushko] The railroad begins at Vedlozero. The railroad leads to Kochkoma station and will open up access to the abundant Arctic resources. It is the first in the country to be constructed and operated on a commercial basis. Shareholders of the joint-stock company

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Gelelin [as heard] immediately set up matters in such a way that all problems are resolved on the spot and comprehensively in people's general interests. This will make it possible to reduce the construction time by 12 months and complete it as early as 1993. That event is being awaited with unconcealed interest in the Scandinavian countries, Japan, and South Korea. After all, the new railroad will unite by the shortest path the already existing railroad networks in Russia and Finland.

**BAM Railroad Chief on Fate of Sector**

*924A0230A Moscow GUDOK in Russian 14 Nov 91 p 2*

[Interview with Albert Olgerdovich Bogdanovich, chief of the Baykal-Amur Railroad, by T. Andreyeva, GUDOK correspondent: "Do Not Let Transport Be Upset"]

[Text] The draft of a proposal concerning our new ministry is being discussed throughout the network today, the most varied opinions are being expressed, and the railroad workers are unanimous on only one thing: transport should remain a unified system. This is also the opinion of Albert Olgerdovich Bogdanovich, chief of the Baykal-Amur Railroad. Our correspondent interviewed him.

[Andreyeva] Albert Olgerdovich, what is your attitude toward the fact that the Ministry of Railways is preparing to change its name?

[Bogdanovich] I am against it. The country is in the grip of spontaneous destruction: they are breaking up monuments and renouncing the old idols and names. The purpose is seemingly a good one: to be free of the totalitarian past—but can you really achieve this by replacing signboards? Yes, and then, after all, we should consider the money. It will cost our far from wealthy railroad alone a million rubles to change the name of the ministry. This includes expenditures for new print, signboards, letterheads, etc. Can we really not find any better use for this million?

[Andreyeva] You are right, but the point is probably something else. It is no secret to anyone that most of the union ministries will probably cease to exist, if not today—then tomorrow. In this situation, the MPS [Ministry of Railways] will do everything to save itself and the sector—even to changing its name.

[Bogdanovich] It is right to do this. But why should we prove to someone that twice two is four? Does any alternative to the Ministry of Railways really exist today? To destroy the railroad transport system—is almost incomprehensible. And then what? In our unstable times, at least something must remain stable! Just imagine what would happen if the railroad workers went on strike along with the miners? All the blast furnaces would go out, the plants and factories would shut down, people would freeze in their homes, and the country's economy would be completely paralyzed.

Today we are again pushing toward this. In some republics, blockades are being set up and trains derailed. Who gains from this? The one who wants to return to the past, who fiercely opposes any changes. What does it mean, in this situation, to abolish the MPS as a unified center of railroad transport management? It means to convert an admittedly old and ossified, but well-ordered and unfailing system into something amorphous and completely uncontrolled. Only a fool or a madman could do this on the threshold of a severe winter when, judging by the whole country, the national economy and particularly the fuel-energy complex will be existing "from the wheels up". This will lead to the failure of the radical reform program proposed by Russian President Boris Nikolayevich Yeltsin. Democratic power will lose all authority in the eyes of the people and some new GKChP [State Committee for the State of Emergency] will appear, or something even worse.

For some reason we have done a poor job of learning lessons from the past, and after all, there has been a great deal of this in our history: the collapse and paralysis of transport movement—at that time the intervention of Feliks Dzerzhinskiy, the merciless chairman of the VChK [All-Russian Extraordinary Commission To Combat Counterrevolution, Sabotage and Speculation], was needed. He executed masses of people, and thus brought order. Does anyone really want this to be repeated? I hardly think so. It is simply that we are unaccustomed to thinking through the results of the actions undertaken.

[Andreyeva] The political situation in the country is, of course, complicated, but does it not seem to you that the draft of the proposal on the new ministry smacks slightly of capitulation? The MPS is even ready to give up property in order not to lose its authority.

[Bogdanovich] I disagree with you. There is no capitulation here, but a search for compromise on the basis of the new political situation in the republics, some of which have declared themselves sovereign states. Yes, of course, this document is half-hearted, and it has its shortcomings, but we will approve it, with the exception of a few points.

This question of property, for example, arouses objections. The ministry, in our opinion, has submitted to the will of the republics that have declared the railroads to be their property. Representatives of sovereign Yakutiya have already come to us with demands to transfer three stations—with the available housing and enterprises. But what will they do with all this? How will they maintain and service this depot or boiler house? Indeed, afterwards, the USSR Law "On Railroad Transport" said that all the property allotted to railroad transport enterprises belonged to it, under the rights of full economic jurisdiction. Has anyone changed this law?

The reality is such that, in the country, union property is being seized at all costs, and there is some sort of wild privatization. We, the economists, however, should also

foresee how this will end. For example, we are giving up property. We are glad to do this—it is a heavy burden for us. But where will we settle the engineers tomorrow? And if there are no engineers—who will drive the trains? Or, for example, in Tynda they are privatizing our trade bases and stores, but who will feed the people on the 3000-kilometer line? A private trader? He will hardly take on this obviously unprofitable matter. Do you think that hungry people will work? They will lie down on the rails and demand bread and meat. What will we do then?

[Andreyeva] It seems to me that, in the new situation, the rights of the railroads themselves are also encroached upon. For example, they have been deprived of independence in the sphere of foreign economic activity.

[Bogdanovich] Yes, the ministry is taking on this function, and plans to concentrate the currency profit in itself. This right must be given to the railroads themselves, so that they deduct part of the currency receipts for the ministry. Otherwise, there is no sense in engaging in this. In addition, I think that we should be co-founders of all possible joint ventures, concerns and associations. The interest here is mutual: they cannot get on their feet without us, and we cannot survive under market conditions without them.

We also have comments about tariffs: I think that they should be established by the MPS itself, and not the republics. Otherwise, it will become absurd: they will dictate to us the prices for railcars, rails, ties—all these have already become tenfold more expensive—but tariff-raising will be prohibited. How can profitability be achieved? What will this market be like, if each step must be coordinated with the republic governments? BAM passes through the territories of three republics—well, do we have to coordinate with all of them?

I should also like to say something about work planning. This must still be done “from below,” and the plans should only be corrected in the ministry. Otherwise, this situation, for example, will result: not a single enterprise in the BAM area complained about under-delivery of railcars this year—we are delivering everything that is loaded, and everything is loaded “from the wheels up”—but the road plan will not be fulfilled. It was drawn up at the MPS without taking the local realities into consideration.

[Andreyeva] Probably, under market conditions, the Baykal-Amur Railroad will have the most difficult time of all, as it has not yet been finished to the point of complete fulfillment of the engineering plan, and therefore cannot not operate at full planned capacity?

[Bogdanovich] Yes, the road is in imminent danger. Formerly, BAM lived at the expense of the budget. The ministry redistributed the profit within the network and supported us, but now it has no money. As a result, BAM has found itself on the brink of financial failure. Today we owe the construction workers about 150 million rubles [R] for the work done. Where can we get them and how can we go on? By all the laws of a market economy,

the Baykal-Amur Railroad should be closed, but this means canceling out tomorrow for Russia. Let us remember the prophecy of the great Lomonosov: “Russia’s might will be increased by Siberia!” It is not our fault that the State program for developing the BAM region has miscarried. The riches hidden here are truly inexhaustible: the deposits of copper, gold lodes, complex ores, asbestos, coal and molybdenum—there are too many to count—are unique. Suffice to say that scarcely less than half of the known reserves of gold lodes in the republic are located on BAM territory. New beds of oil, gas and coal have also been discovered here—everything that the country will very soon need. So is it not stupid to close down the only road leading to these storehouses?

I think that Russia and the other republics should take on the job of completing the building of BAM, and the financing of the road’s activity until it is standing firmly on its feet. Otherwise, we will have to raise the tariffs: by a factor of 5, at today’s price level, and by a factor of 20—with unrestricted prices. This will frighten off foreign and private capital, and the zone simply will not be developed. Not only will Russia lose from this, but also the republics of Central Asia, the Transcaucasus and the Baltic. After all, we ship about 300 cars of timber alone everyday beyond the limits of the railroad. What will happen if this flow dries up? Or if the timber becomes too expensive for the consumers? Why not count our losses in advance?

We propose that a separate paragraph be written into the new statute, that “the construction of new railroad lines to develop new regions, as well as to compensate for losses due to the operation of new lines until they have been brought to the planned capacity, be carried out through the republic budgets.”

[Andreyeva] Well, and if, despite our expectations, the MPS is eliminated, what will happen to BAM and the other railroads?

[Bogdanovich] I do not think that the Russian government and its president will permit this. We were only recently transferred to republic jurisdiction, but we already sense some attention being paid to us by the republic authorities. A governmental commission visited BAM. A businesslike resolution was prepared, and we are waiting for it to be signed by Russian President Boris Nikolayevich Yeltsin, as he has already done for Tyumen Oblast. I am sure that he understands: if the precise operation of railroad transport is spoiled, this will slow down the country’s movement toward the market for a long time. Our sector does, of course, need reforms, but cautious and well thought-out ones.

#### Rail Link To Be Built From Beijing to Turkmenia

OW1611163891 Moscow INTERFAX in English  
1448 GMT 16 Nov 91

[Following item transmitted via KYODO]

[Text] The Turkmen President Saparmurat Niyazov has approved a project for building a railway line

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Tedjen-Mari-Serabs, 130 km long. His government allocates the initial sum of three million rubles for preliminary works. The construction will begin in the first quarter of next year.

Upon completing the line Beijing may be directly linked with Stamboul. The project is expected in Ashkhabad to develop closer economic ties between the Central Asian republics including Kazakhstan, on the one hand, and China, Iran, and Turkey, on the other.

Under the project, the little township of Tedien is to grow into a major rail junction and an international trade centre.

### **Ukrainian Candidate Defends Railroads**

*924A0225B Moscow GUDOK in Russian 13 Nov 91 p 2*

[Article by Vladimir Brun, independent candidate for the position of Ukrainian president: "Too Many Cooks Spoil the Broth: In Defense Of The Country's Railroads"]

[Text] Cherkassy—A serious fate awaits the USSR railroad network if the independent republics, who are trying to pull down the USSR once and for all and drag everything into their national apartments, tear it asunder. The railroads are a single network and the most important life-support organism in the country, moving its entire economy on their wheels. Even the Baltics already understand this and that is why they are taking urgent steps to prevent anarchy on the railroads. Unfortunately, the presidents, of whom there are now more than necessary, are pushing these questions to the side not only because they do not travel on trains like Stalin and Krushchev did but because they are forgetting what is being carried from where and for what purpose for their own political reasons. Our country's ordinary workers, who themselves primarily experience traffic errors on railroads, understand this better.

In analyzing their condition, I can say with confidence that the railroads and everything connected with lines of communications are now in a very serious situation. A crisis is unavoidable if serious measures are not taken. Having traveled especially to Moscow, I met with the employees of the GUDOK newspaper's editorial board to discuss this problem. The journalists of this oldest workers' newspaper in the country know the state of affairs in rail transport and its present deplorable condition very well. My program (that of an independent candidate to the position of Ukrainian president, envisions the position of a unified USSR and excludes the Ukraine's withdrawal from the union. This has a very direct relationship to our railroads' fate. The serious accidents on the mainlines involving human victims are primarily the consequence of their deplorable condition. Today, even new branch-lines lag behind the railroad networks of advanced foreign countries by many decades. One should not blame switchmen for the fact

that there have been accidents, are accidents and will be accidents. They are inevitable because no one wants to turn his face to the railroads. All the country's leaders are acting according to the principle: "It rolls; the blue railcar rolls; well, let it roll...." It is a false hope that everything will operate and somehow become better. One should not forget that all the burdens connected with the railroads' functioning lie on the shoulders of ordinary people who are standing near the switches and controlling traffic and locomotives. Railroad workers cannot, like others, declare a strike. Without wishing to attract the government's attention to their troubles, they understand that this would be a terrible blow, completing the country's crisis.

It is difficult to grow grain and smelt metal but it is even more difficult to work on a railroad, impotently observing how the preconditions for very serious wrecks are being created and not having an opportunity to undertake something radical.

The building of the editorial board and the GUDOK newspaper's printing house are a mirror image of the situation in which the Soviet Union's railroads find themselves.

If M. Gorbachev, president of the USSR, and B. Yeltsin, president of Russia, dropped in on GUDOK's editors and walked along the partially destroyed corridors of the building, which is just about to collapse, it would seem that they would immediately make arrangements for the GUDOK workers to be transferred to one of the best premises in Moscow that some ministry or institution now being eliminated occupied.

If one of them set out in a train with broken windows and doors—even if on only one of their numerous visits—being careful not to fly "onto the steppe" from the railcar, then a sensible law on USSR railroads would surely appear and we would seriously work on the country's steel mainlines and their technical and material support despite the very severe crisis. New owners will not raise this bulky and cumbersome object up and will not even undertake it. Only a powerful and unified state is up to this.

People live a certain time and die and get tired; metal also grows old and the railroads are dying—and no cosmetics or half-way measures will solve their problems. During the six years of "perestroika," I have carefully studied all the materials connected with reforms in the USSR; however, I have, unfortunately, not encountered anything concrete regarding an improvement in railroad activity. Everyone is trying to avoid the problems of this type of transport not because they have no time but because, having stirred the problems up, they fear drowning in them. If, however, the railroad network rises, we will really drown in the depths of the devastation since the weak highway network will not support—as effectively as the railroads—even a

small percentage of the shipments. Ignoring their problems is giving birth to the unprofitability of both the Baykal-Amur and other mainlines.

There is probably no more unfairly treated category of workers than the railroad workers because some criticize them as severely as they can and wish—but essentially for no reason at all. If our state leaders took an interest in their housing and living conditions, they would be shocked. You see, many railroad workers live in buildings of tsarist construction that are in immediate proximity to rails that rumble around-the-clock. Only a Soviet railroad worker can endure such inhuman nervous strains, great drops in temperature, vibrations, noise, magnetic fields, and poor supplies and food. You see, even women, of whom there are very many on the country's mainlines, bear this load on their shoulders. The country's and the republics' leaders have still not thoroughly and seriously discussed the problems connected with the railroad network's future, its status in a system of market relations, and the privatization of individual transport enterprises. However, one must solve them without delay. I am convinced that this is one of the many branches that the state cannot let out of its hands especially during this transition period to a market. Moreover, it should be a single one for all the sovereign republics if we all want to save our economy from failure. Experiments often result in errors. It is simply not permissible to experiment on the railroads.

No matter how we condemn our socialist past and Stalin for his monstrous crimes against the people, it is necessary to give him his due—he understood the enormous importance of railroads, did a lot for their modernization and development and paid attention to the railroad workers' needs. They accomplished an unprecedented exploit during the years of the Great Patriotic War, insuring uninterrupted supplies to the front and carrying out a colossal amount of work in evacuating millions of people, thousands of plants ... an enormous mass of equipment, grain, livestock, various valuable objects, machinery, and other property—to the country's rear. They did all this under bombing and artillery strikes in a timely and uninterrupted fashion. It was not for nothing that Stalin established a special railroad committee attached to the GKO [State Committee for Defense] and introduced military ranks into transport, significantly raising the authority of its workers.

Even after the war, railroad workers wore their military uniform for a long time. It disciplined them and underscored their special and very important-for-the-country position in society. Alas, the attitude toward them now is simply nothing more than a couldn't-care-less one—so to speak. If it continues this way, the burden of problems on the railroads will snap into action at some tragic moment like a chain reaction and they will stop. Then, it will be too late to tear one's hair out. For all the political conflicts of our troubled times, one must remember that now, when we are destroying the Soviet Union, "too many cooks spoil the broth." A disconnected railroad

network will finish off the country's economy once and for all. That would be the last straw for us!

#### Estonian Railroad Director on Developments

92UN0312C Tallinn RAHVA HAAL in Estonian,  
9 Oct 91 p2

[Article by Mati Määrits: "Own Railroad for Estonia"]

[Text] Since this year's September, there is no longer an Estonian Railroad Department as part of the Baltic Railroad, subordinate to the USSR Ministry of Railways. In its place will be formed the "Estonian Railroad". How do they expect to manage in an independent Estonia? This I asked of the current chief, the present state-owned enterprise's managing director Jakov Leshkin

[Question] How is the railroad's own independence progressing? How are its relations with its colleagues in the East and in Baltic states?

[Leshkin] We have talked about economic independence, effective 1 January 1992, since the end of last year and have held long discussions with Moscow on this topic. With the events in August, everything changed. Even on 30 August 1991 (that is before USSR recognized the Republic of Estonia), the transport ministers of the three Baltic states met in Riga (a representative of the USSR's Ministry of Railways also participated). According to documents signed there, the three states announced the formation of their own railroads, whereby ownership of all locally situated property was assumed by the republics. In the same place, a temporary Baltic States' railroad transport committee was founded (Russian Republic's Kaliningrad representatives will also participate in this project). It was decided that Baltic Railroads will continue operation until 1 January 1992, so as to be able to accumulate needed balances during the changeover period, etc. Even though each state will be the master of its own railroad, we shall form a joint entity (association) which could put into effect even joint tariffs. We have a joint network, a computer center located in Riga, ticket selling entity "Ekspress" (Western European countries will join this network also this year).

At the same time, the three future railroads will hold joint talks also in the East. On 11-13 September, a meeting took place in Moscow with the authorized representatives of the sovereign states, where it was decided that it is necessary to maintain during the changeover period (during the coming fall and winter) joint supervision, maintenance, technical, investment, and tariff policies.

In preparation is a border agreement project between Russia, Latvia, and Estonia. We are thinking about how the border guards and customs officials will work—one should not stop an express train for three to four hours.

[Question] How, for example, will you get spare parts?

## TRANSPORTATION

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[Leshkin] Well, this is indeed the most difficult question. Maintenance during the past few years has been extremely poor, now however ... How to obtain rails, crossties, oil? No agreement has been reached for next year. Factories are not interested in money, they only demand products in exchange. Republic of Estonia's Ministry of Resources has not given us an appointment, even though we are designated as one of the state-owned critical enterprises (according to a recent government decree). Most recently we met with the Murom factory—they are agreeable to providing us switch levers only on the condition that we provide five times the value in footwear, canned goods, and furniture. Another factory, however, demands hard currency. Passenger and refrigerator cars are manufactured in Germany, yard engines in Czechoslovakia - spare parts for those must also be paid for in "real money."

When formerly one railroad car (the most expensive) cost 240,000 rubles, then now they are asking 560,000 dollars! Monopolist Latvians are asking 5.5 million rubles for diesel or electric trains. Prices of rails have quadrupled, rail tie prices are up to five times more ...

[Question] Is it possible to get used rolling stock from Western countries, as is done, for example, by bus terminals?

[Leshkin] We have met with colleagues in the Nordic countries and Germany and discussed also this possibility but since very strict operating rules apply to railroads, this option is not available right now.

[Question] Which currency will be usable on the railroad?

[Leshkin] Initially, we shall transport people and goods to their destination for rubles; after our own currency is in use ... When traveling to Western Europe, one must pay in hard currency even now. (Up to now, the USSR Ministry of Finance paid for transportation beyond borders, now this is no longer possible. If the Republic's government would set aside hard currency for us for this purpose, we could obviously continue to accept rubles). Initially we will transport goods for rubles, but the future depends on relations with the current Soviet Union. When we start to buy fuel for dollars, then we shall obviously transport goods also for hard currency.

Apparently a joint goods tariff will be installed in the entire Baltic area and in the year 1992 also a [joint] passenger tariff (outside each republic). We shall decide on the prices inside Estonia itself jointly with the government. For example, through-trains produce a loss of 10 million rubles for us this year. Here are two choices: to raise ticket prices or to get a subsidy from the government.

If our trains don't travel empty (ticket price is several times cheaper compared to bus transportation, and Tartu Express is additionally even faster) then it is not even necessary to raise ticket prices. Competition!

[Question] We already discussed that you hope to get (hard) currency from the government. What are the opportunities to earn it on your own?

[Leshkin] We cannot, of course, start charging hard currency now for moving passengers and goods! Since we are still a state-owned enterprise, we hope to somehow find some. Even though we earn a lot ourselves - so that we can invest 5-6 million for road building, but that is about all. We could, for example, quintuple the price of transporting oil shale - but then electric energy price would increase by almost the same amount. I also don't want to attack the people's pocketbooks. In all civilized countries, the state subsidizes the railroads. By the way, we have not received any subsidy from the Soviet Union's budget for two years.

We are monopolists. Imagine if we had the freedom (as a private corporation, for example) to take a tenth [a tithe] of each rail car - then we could, for example, exchange Kalev brand chocolate for rails, exchange furniture or cloth for trips. But since we are a state enterprise, we must work in the interests of the state.

[Question] Still, how much money would you need?

[Leshkin] It would take about 20 million dollars for complete renovation of the railroad, including 6 million for spare parts. Up to 30 million rubles per year would be needed. If we still want to open the door to Western Europe (so that the goods could move through our harbors from the East to the West and the opposite way), we must invest a lot of money in the railroad, so that it might come back as hard currency to us.

[Question] How about investments, from the East as well as West?

[Leshkin] There is a certain limit to investments. Russia is not going to build harbor facilities here, nor branch railroads, when it can do that in Russia. In order to be competitive, we must build as quickly as possible double tracks to Narva. We shall reach Tapa this year, Narva in three to four years, but this requires government investment (up to 30 million rubles per year).

Due to competition, we cannot raise our tariffs above those of neighboring states, and also demand hard currency. If it is possible to ship goods East or West through Estonia quickly and at a reasonable price, why should Russia hurry to build a new harbor in Luuga? It is possible, however, to direct coal for export through Vladivostok, Murmansk, St. Petersburg, and Black Sea ports. Why then was the New Harbor built at all? Suitable harbors are even elsewhere (for example, Paldiski and certain military harbors). Therefore, the first task is to grab hold of the market for oneself.

Everyone is very cautious about investments and long term agreements, in the East as well as West. The internal political situation in the USSR as well as Estonia is being observed carefully, the trustworthiness of us as partners. It has been found that the situation in Estonia

has stabilized and they can work with us. At the same time, there is interest as to how the economic union will develop and how we will participate in it. Many proposals have been made, but in all of them we are still in the negotiation stage.

[Question] How does the East view Estonia at this time?

[Leshkin] The businessmen men regarded the situation normally before and do so now, in September we carried even more freight than a year ago. Nothing has happened like "you became independent, so be then without railroad cars". Just the opposite, negotiations are in progress about the rail car and engine yard belonging to Estonia, tariffs, interline accounting, etc.

We want to keep some of the rail cars in Estonia (for internal traffic). The remainder would still be listed as ours, but would circulate (Just as is customary in Western Europe: if the quantity in our possession exceeds the agreed-upon limit, then we pay a penalty; if there are fewer, then we get paid). Obviously, in that case we must maintain ourselves the 6000 rail cars which belong to Estonia, but the repair depot in Tapa cannot handle more than 4000.

Apparently, several facilities located in Estonia could work for the benefit of the railroad - at present the relations with USSR are quite good, but if we are still being asked for hard currency ... We have taken aim at "Dvigateli," a military diesel engine repair facility ...

[Question] What changes await passengers (for example in schedules)?

[Leshkin] Could someone tell me how many people will travel to and from Moscow next year, and how will trade develop? At this time we are planning our work on the basis that the number of passengers will not decrease and we are not planning to cancel a single long distance train.

[Question] Is it possible to activate more express trains between Narva, Tartu, Parnu, and other towns? The 4-car Tartu Express with wooden seats is "conquered" in a few minutes during the week, and many passengers are

forced to stand for 2-1/2 hours. Why the train is preferred to the bus is obvious - the ticket is 2-1/2 times cheaper. With the limited number of buses, increase in fuel cost, and for other reasons, in some period of time it will be necessary to take the train in any case (whenever possible)]

[Leshkin] At least in the direction of Narva, we sure do not have enough passengers - the train has 800 seats, but only around 100 board the train. What kind of owner would bring losses to himself in that situation by increasing frequency of trains! If the same number of travelers to Tartu continues, then we shall add trains. But this cannot be done without limit. We could activate 10 additional electric trains - but who will pay us for that! There are sufficient passengers only during the rush hour.

*In a later conversation, the assistant managing director Mart Koll stated that at this time activation of express trains is planned in the direction of Pärnu and Viljandi. If agreement is reached with the provincial government of Viljandi, then the first will be an early morning "Mulgi Express" (this would depart a half hour later than the present train and would not make stops beyond Rapla). It is also possible to separate the noon Tartu train (at present two diesel trains are joined).*

*I also asked, why one cannot buy tickets for the same day (within Estonia) from other Tallinn rail ticket offices besides the Baltic Station (for example, Laager). M. Koll did not consider even this problem insurmountable.*

[Question] And the last question to the managing director: When will the Estonian Railroad begin to observe the requirements of the language law - so that we might be able to buy an Estonian language ticket?

[Leshkin] Tickets being sold from the "Express" ticket office (long distance) are already in Estonian. Tickets are printed in the USSR only in St. Petersburg and Kiev. If we can find a printer in Estonia who is willing to do this work, we shall immediately use new tickets. Cashiers are diligently studying Estonian - 1 January 1992 is approaching.

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